TITANS

ANNUAL REPORT 2016

Incorporated in the Cayman Islands with limited liability

Stock Code：2188

China Titans Energy Technology Group Co., Limited

中國泰坦能源技術集團有限公司*

*For identification purpose only

CONTENTS

CORPORATE INFORMATION

Directors	Executive Directors Mr. Li Xin Qing *(Chairman)* Mr. An Wei *(Chief Executive Officer)* Independent non-executive Directors Mr. Li Wan Jun Mr. Zhang Bo Mr. Pang Zhan
Audit Committee	Mr. Li Wan Jun *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Remuneration Committee	Mr. Zhang Bo *(Committee Chairman)* Mr. Li Wan Jun Mr. Pang Zhan
Nomination Committee	Mr. Li Xin Qing *(Committee Chairman)* Mr. Zhang Bo Mr. Pang Zhan
Authorised Representatives	Mr. Li Xin Qing Ms. Li Oi Lai
Company Secretary	Ms. Li Oi Lai
Auditor	SHINEWING (HK) CPA Limited
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands

CORPORATE INFORMATION

Principal Place of Business and Address of Headquarters in the PRC	Titans Science and Technology Park No. 60 Shihua Road West Zhuhai Guangdong Province The PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal Share Registrar and Transfer Office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Legal Adviser	*As to Hong Kong law:* P. C. Woo & Co. 12th Floor, Prince's Building 10 Chater Road Central Hong Kong
Principal Banker	Bank of Communications Zhuhai Jida Sub-branch 1/F, Zhong Dian Tech Building Jida Jiuzhou Road The PRC
Stock Code	2188
Website	www.titans.com.cn

FINANCIAL HIGHLIGHTS

OPERATING FIGURES FOR THE PAST FIVE YEARS

For the year ended 31 December	**2016 RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Revenue	**289,298**	195,902	178,517	175,933*	238,670
Gross profit	**94,675**	71,785	60,090	48,036*	98,862
Profit (Loss) for the year attributable to owners of the Company	**7,279**	(26,061)	(43,831)	(33,811)	11,795
Total comprehensive income (expense) for the year attributable to owners of the Company	**109,409**	(25,205)	(43,621)	(33,136)	10,054
Earnings (Loss) per share					
Basic	**RMB0.008**	RMB(0.030)	RMB(0.052)	RMB(0.041)	RMB0.014
Diluted	**RMB0.008**	RMB(0.030)	RMB(0.052)	RMB(0.041)	RMB0.014

* From continuing operations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE PAST FIVE YEARS

As at 31 December	**2016 RMB'000**	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	**966,908**	731,576	618,402	666,922	802,769
Non-current assets	**109,562**	57,038	75,333	103,311	93,822
Current assets	**857,346**	674,538	543,069	563,611	708,947
Total liabilities	**381,866**	253,789	206,865	218,537	301,320
Current liabilities	**263,517**	244,470	197,609	209,155	290,308
Net current assets	**593,829**	430,068	345,460	354,456	418,639
Net assets	**585,042**	477,787	411,537	448,385	501,449

FINANCIAL HIGHLIGHTS

FINANCIAL INDICATORS FOR THE PAST FIVE YEARS

For the year ended 31 December	2016	2015	2014	2013	2012
Inventory turnover (1) (days)	**176**	228	203	164	144
Trade and bills receivables turnover (2) (days)	**302**	483	477	500	367
Trade and bills payables turnover (3) (days)	**122**	208	201	208	207
Current ratio (4) (times)	**3.25**	2.76	2.75	2.69	2.44
Gearing ratio (5) (%)	**23.30**	17.32	15.36	14.92	11.21
Return on equity (6) (%)	**1.26**	(5.58)	(10.70)	(7.54)	2.45

Notes:

(1) Inventory turnover equals the average of inventories at the beginning and the ending of the year divided by cost of sales, and multiplied by 365.

(2) Trade and bills receivables turnover equals the average of trade and bills receivables at the beginning and the ending of the year divided by revenue and 1+17% value added tax (as trade and bills receivables include the value added tax receivables from customers), and multiplied by 365.

(3) Trade and bills payable turnover equals the average of trade and bills payables at the beginning and ending of the year divided by cost of sales and 1+17% value added tax (as trade and bills payables include the value added tax payable to suppliers), and multiplied by 365.

(4) Current ratio is current assets divided by current liabilities.

(5) Gearing ratio equals the sum of bank borrowings and convertible notes divided by total assets, and multiplied by 100%.

(6) Return on equity is profit (loss) attributable to owners of the Company divided by equity attributable to owners of the Company, and multiplied by 100%.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Titans Energy Technology Group Co., Limited (中國泰坦能源技術集團有限公司*) (the "Company") and its subsidiaries (collectively the "Group"), I hereby present the annual report for 2016 of the Group.

According to the statistics from the PRC's Ministry of Industry and Information Technology, in 2016, the sales of new energy vehicles exceeded 500,000 in the PRC with car ownership of nearly 1,000,000. Compared with the booming new energy vehicle market in 2015, the sales of new energy vehicles in 2016 was affected by the "Getting Subsidy by Cheating" ("騙補") incident and the access policy and subsidy policy adjustment, and the new energy vehicle market entered into a relatively calm stage of development. The overall performance of new energy vehicle charging infrastructure market failed to meet the expectations, but still achieved steady progress, with market size expanded. In 2016, public charging piles increased by 100,000 to 150,000 in the PRC.

In 2016, all members of the Group worked together to seize the new energy development opportunity, actively expand the market, and enhance the production and management level. Both the traditional manufacturing and emerging investment and operation businesses recorded significant growth, with annual operating income amounting to RMB289,298,000, representing a year-on-year increase of approximately 47.67%. The profit attributable to owners of the Company was RMB7,279,000, which realised the annual target of profitability.

The Group is firmly optimistic about the development prospects of the new energy vehicle charging infrastructure industry. Being one of the first to enter the field, the Group has had a strong competitive edge and established a good brand image with its core technology and years of industry experience. In 2016, on the one hand, the Group recorded excellent sales of charging equipment for electric vehicles based on advanced technology, good service and abundant customer resources, representing a year-on-year increase of approximately 42.37%. On the other hand, the Group actively carried out business model innovation and practice. By cooperating with local governments, public transport groups, electric vehicle manufacturers, electric vehicle operators, car park owners, end users, etc, the Group integrated its strengths and adopted a variety of flexible construction investment models to promote the benign development of the Group in the field of electric vehicle charging infrastructure investment, construction and operation. During the reporting period, the construction revenue under Build-Operate-Transfer ("BOT") arrangements of approximately RMB26,692,000 was achieved through construction of the centralised dedicated charging stations under BOT arrangements.

New energy vehicle industry has become an important pillar of the national development strategy. With the gradual settlement of the "Getting Subsidy by Cheating" incident and the determination of the threshold for enterprise and product access, the industry and the market have gradually restored confidence. It is expected that the new energy vehicle industry will return to rapid development after calm stage in 2016.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

In 2017, the Group will continue to deeply plow in the field of power electronics technology applications and firmly adhere to the "Dual Drive" development strategy. The Directors believe that the balanced development of traditional manufacture and emerging investment and operation services will promote more sustainable development of the Group. For equipment manufacturing, the Group will provide users with better power electronic products and integrated technology solutions by taking a step ahead in technology and continuous improvement of marketing channels, with the aim to meet the quality, efficient and diversified applications of power. For investment and operation, the Group will maintain its regional large-scale strategy, adhere to the business ideas of "developing one place, surviving in one place and flourishing in one place", deepen the business model innovation, and place great efforts in investment and operation business based on the principle of owning more effective assets. The Board considers that the investment and operation of electric vehicle charging infrastructure is gradually becoming a new business growth point of the Group.

2017 is a key year for the Group's development, and also a year of rapid development of the Group. We will keep a low profile but are practical, and diligently and conscientiously devote our efforts to the success of the Group.

On behalf of the Board, I would like to take this opportunity to sincerely thank all our shareholders, partners, customers and colleagues for their trust and support to our Group.

Li Xin Qing
Chairman

Hong Kong, 28 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31 December 2016, the Group recorded revenue of approximately RMB289,298,000, representing an increase of approximately 47.67% over that of last year. Revenue which was mainly derived from the Group's principal business including direct current power system products (the "DC Power System" or "electrical DC products"), charging equipment for electric vehicles, construction under BOT arrangements and charging services for electric vehicles. The table below shows the revenue of different series of products of the Group for the year ended 31 December 2015 and 2016:

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Electrical DC products	**83,282**	**28.79**	68,699	35.07
Charging equipment for electric vehicles	**174,523**	**60.32**	122,582	62.57
Construction under BOT arrangements	**26,692**	**9.23**	–	–
Charging services for electric vehicles	**2,552**	**0.88**	52	0.03
Others	**2,249**	**0.78**	4,569	2.33
Total	**289,298**	**100**	195,902	100

In 2016, the Group recorded the profit attributable to owners of the Company and total comprehensive income attributable to owners of approximately RMB7,279,000 and RMB109,409,000, respectively, representing an increase of approximately RMB33,340,000 and approximately RMB134,614,000 over the loss of approximately RMB26,061,000 and the total comprehensive expense of approximately RMB25,205,000 of the corresponding period last year.

Compared with 2015, the Group's profit increased and made a turnaround, mainly due to: (1) the significant increase in revenue of our key products, benefitted from and driven by the new energy policies in China; (2) the increase in the construction revenue under BOT arrangements; and (3) the increase in revenue derived from charging services for electric vehicles.

Electrical DC products

During the reporting period, revenue of the electrical DC products was approximately RMB83,282,000, representing an increase of approximately 21.23% over 2015. The Directors consider that the year-on-year increase in revenue during the period was mainly attributed to the Group's adjustments to relevant resources allocation and market strategies.

MANAGEMENT DISCUSSION AND ANALYSIS

Charging equipment for electric vehicles

During the reporting period, the Group's revenue of the charging equipment for electric vehicles amounted to approximately RMB174,523,000, representing an increase of approximately 42.37% over 2015. Relying on the Group's leading technology and strong comprehensive service capability, and through measures to integrate advantageous resources and enhance supply chain management, the revenue of charging equipment for electric vehicles recorded an increase during the period. The Group will continue to step up its investment in the research and development as well as the production of charging equipment for electric vehicles, thus making it as one of the Group's pillar industries.

Construction under BOT arrangements

During the reporting period, the Group has established subsidiaries in Guangdong Province and Hebei Province in the PRC to be engaged in the construction of BOT charging stations, and has recorded revenue of approximately RMB26,692,000 from construction under BOT arrangements during the period. The Directors are of the view that the construction under BOT arrangements represents one of the important means to achieve the sale of the Group's charging network construction. The Group will make best of various advantageous and resources to scale up construction, so as to deliver greater economic benefits for the Group.

Charging services for electric vehicles

During the reporting period, the Group recorded revenue from charging services fees for electric vehicles of approximately RMB2,552,000 (2015: RMB52,000). The Directors are of the view that the income from charging services fees for electric vehicles has lived up to their expectations, demonstrating that the Group's "Dual Drive" development strategy has begun to achieve initial success. The Group will continue to scale up the investment in and the operation of charging infrastructure for electric vehicles, thus delivering more revenue for the charging services for electric vehicles.

Others

During the reporting period, the Group's revenue of other business amounted to approximately RMB2,249,000, mainly including the revenue from the following two operating segments: (1) revenue from sales of power grid monitoring and management equipment of nil (2015: approximately RMB2,717,000); and (2) revenue from sales and lease business for electric vehicles of approximately RMB2,249,000, representing an increase of approximately 21.44% over 2015 (2015: approximately RMB1,852,000).

Power gird monitoring and management equipment is not the principal business of the Group, and did not realise sales during the period which was due to the decrease in the market demand. Sales and lease business for electric vehicles is a related business arising from the Company's commencement of the charging services for electric vehicles. The revenue increased by 21.44%. The Directors consider that this business will grow with gradual application of new-energy vehicles and will gradually provide revenue contribution.

THE PRINCIPAL OPERATING ACTIVITIES OF THE GROUP IN 2016:

Built on more than 20 years of accumulation of power and electronics technology and market, with excellent product quality, good after-sales service and differentiated system solutions, the Group has won extensive customer recognition and reputation. At the same time, the Group actively carried out innovation in technology, business and management. During the reporting period, the Group firmly implemented the strategic plan of the Board, made great progress in traditional manufacturing and emerging investment and operation service industries and realised profit.

MANAGEMENT DISCUSSION AND ANALYSIS

The main operating activities in 2016:

I. Equipment Manufacturing

1. Electrical DC products

In accordance with the Group's strategy for electrical DC products development set at the beginning of 2016, the Group re-adjusted the relevant resource allocation and market strategy to effectively curb the decline of the traditional products during the reporting period, with revenue increase of 21.23% compared with the same period in 2015.

2. Charging equipment for electric vehicles

Compared with the booming new energy vehicle market in 2015, the sales of new energy vehicles in 2016 was affected by the "Getting Subsidy by Cheating" ("騙補") incident and the access policy and subsidy policy adjustment, and the new energy vehicle market entered into a relatively calm stage of development. The overall performance of electric vehicle charging infrastructure market failed to meet the expectations, but still achieved steady progress, with market size expanded.

During the reporting period, the Group achieved the growth of revenue of electric vehicle charging equipment by approximately 42.37% over the same period of last year, by integrating superior resources, meeting clients' needs and optimising supply chain management, etc.

(A) Adhered to technological innovation and product innovation, to provide better solutions.

The Group adhered to independent research and development ("R&D") and iterative innovation. To cater for different needs of customers and the direction of the industry development, the Group introduced more desirable products. Up to now, the Group has established complete product lines covering such four categories as AC slow charging for vehicles, DC fast charging for vehicles, DC divided-battery charging and charging station backstage monitoring.

During the reporting period, Hebei Baoding bus charging station adopted the Group's intelligent intensive charging equipment. The i-Charge Unit has been used extensively in centralised charging station projects, which can realise the multi-gun circulation charging under intelligent power distribution, and provide micro-grid energy storage function. Due to its economic space occupation, flexible layout, cost saving and other characteristics, the product is especially suitable for urban public charging stations and bus dedicated charging stations.

During the reporting period, Beijing taxi charging/swapping station cluster widely adopted the Group's self-developed divided-battery charger, which can realise fast charging/swapping effectively. Shanghai Baoyang Road bus charging station adopted the Group's four-gun smart power distribution charging equipment with original module matrix, which can achieve high-power and wide-voltage automatic charging.

(B) Improved supply chain management and product delivery capability.

The Group believes that strong and timely delivery capacity is an important means to meet market demand. During the reporting period, the Group focused on improving supply chain management, optimising customer's demand design, rationally compiling production plans, strengthening material control system, enhancing operation inspection and control system, strengthening cost control and improving product delivery capability, and completed supply chain optimisation.

MANAGEMENT DISCUSSION AND ANALYSIS

(C) Strengthened customer service management and ensured rapid response to customer's needs.

The Group attached importance to the views and suggestions of customers, holding the view that customers provide the base for the sustainable development and the power source for the product innovation of the Group. During the reporting period, the Group provided quality services to customers, from the interest of customers and based on the "Four Principles of Customer Services", and received commendatory letters from customers. The Four Principles of Customer Services are: "principle of precaution" – to stand in the customer's position to identify and meet the real needs of customers; "principle of timeliness" – relevant departments to work together to respond quickly to problems, and strive to solve problems in the shortest possible time; "principle of responsibility" – to confirm the department accountable for customer complaints and propose the clear solutions; "principle of record" – to establish a detailed record for each customer's comments and suggestions, sum up the experience and improve customer services.

II. Investment and Operation

The Group is firmly optimistic about the business of investment, construction and operation of electric vehicle charging infrastructure. It will grasp the development opportunities in the investment process, control the investment rhythm, control the investment cost, and actively promote the market expansion and project implementation. The Group will create benefits by establishing a perfect investment and operation system and profit model.

During the reporting period, the investment and operation of electric vehicle charging infrastructure started to become effective. The centralised electric vehicle charging stations and the distributed public charging piles brought charging service fee income of approximately RMB2,552,000 for the Group.

1. Market expansion

In 2016, more and more investment entities entered the field of charging infrastructure investment and operations. In spite of the intensified competition, the Group grasped the development opportunities to enhance market expansion, and adhered to the business ideas of "developing one place, surviving in one place and flourishing in one place". During the reporting period, the Group put emphasis of market expansion on North China region (with Beijing as the core) and South China region (with the headquarters of the Group as the core), and formed the regional large-scale strength.

2. Business model exploration and innovation

By cooperating with local governments, public transport groups, electric vehicle manufacturers, electric vehicle operators, car park owners, end users, etc, the Group integrated its strengths and adopted a variety of flexible construction investment models to promote the benign development of the Group in the field of electric vehicle charging infrastructure investment, construction and operation. Particularly, the centralised dedicated charging stations built by the Group in Shaoguan City, Guangdong Province and Baoding City, Hebei Province under BOT arrangements were successfully completed and put into operation during the reporting period. During the reporting period, the construction revenue under BOT arrangements of approximately RMB26,692,000 was achieved, which not only brought construction revenue under BOT arrangements to the Group, but also accumulated valuable experience in the exploration of business model and formed good competitive edge for the Group, as well as laid a solid foundation for the Group to develop investment and operation projects in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

3. *Software platform*

The Group adopted self-developed "EV-LINK" system for its charging operation and management platform. The "EV-LINK" system applies the industry's advanced mode of online booking for charging. In addition, the Group has independently developed the Internet mobile application – EV-LINK APP and the independent operation and management platform that can achieve online resource management and real-time monitoring and make unattended charging station become practical. It greatly enhances user experience while improving resource utilisation. The system adopts advanced J2EE distributed architecture based on cloud computing and services, supporting cross-platform operation for expansion and interconnection of systems.

During the reporting period, the EV-LINK 2.0 system was successfully accepted and put online, followed by three updated versions, which made major innovation and optimisation in different aspects such as bottom product architecture, business model and deployment mode, etc. The application specified in the new version charging agreement not only optimises the charging process but also supports the uploading of more complete charging information. During the reporting period, the "EV-LINK" system released a public API interface system for common charging, providing more solid technical support for aggregating charging resources and achieving information interconnection.

III. Risk Management

1. *Accounts receivable management*

The main products of the Group are electric DC power supply and electric vehicle charging equipment. The Group's customers are mainly grid companies, local governments and public transportation companies, etc. Due to the characteristics of engineering and customers related to the Group's products, the payment period is relatively long, causing big challenges to the management of accounts receivable. During the reporting period, the Group comprehensively reviewed the financial system, further standardised financial management, strengthened customer credit rating and accounts receivable management, enhanced the assessment of accounts receivable, substantially reclaimed the provision of accounts receivable, and achieved significant effect in accounts receivable management, with the provision amount of accounts receivable during the period significantly reduced to approximately RMB17,854,000 over the same period of 2015.

2. *Subsidiaries and associates management*

In order to further expand the investment, construction and operation of charging infrastructure, the Group has set up and invested in subsidiaries and associates in different provinces and cities such as Beijing, Guangdong, Hebei, Hunan and Shandong and sought higher standard on the implementation of Group-based management. The Group revised the "Measures on the Administration of Subsidiaries" in early 2016 and further improved its management process and internal control system to effectively avoid the management risks brought by rapid expansion.

3. *Internal control management*

The Group strengthened the quality of internal control function, through strengthened the training to improve the quality of build up staff and enhancing risk consciousness, improved the control method to mobilise the initiative and enthusiasm of staff, and strengthened the internal circulation and communication for the purpose of creating a good internal audit work atmosphere and promoting internal control management.

MANAGEMENT DISCUSSION AND ANALYSIS

IV. Brand Influence

During the reporting period, the Group participated in the "China EV100" and made keynote speeches on the development of charging infrastructure. In addition, the Group attended many other industry exhibitions and forums including the "2016 China International New-energy Vehicles and Electric Vehicles Fair", the "5th Shenzhen International Electric Vehicle Supply Equipments Fair", the "6th Shanghai International Electric Vehicle Supply Equipments Fair", the "New Energy Bus Development Trend Forum", and achieved a good market response, thus to enhance "Titans" brand popularity and reputation.

V. The Group's Main Operating Activities in 2016:

1. On 12 January 2016, Zhuhai Yilian New Energy Motor Co., Ltd.* (珠海驛聯新能源汽車有限公司) ("Zhuhai Yilian") established a wholly-owned subsidiary in Shaoguan – Shaoguan City Yilian New Energy Vehicles Operations and Services Co., Ltd.* (韶關市驛聯新能源汽車運營服務有限公司), to carry out sales, leasing operations and maintenance of new-energy vehicles as well as, the planning, design, investment and construction, engineering services and operation services of new energy vehicle charging facilities.

2. On 22 February 2016, Zhuhai Yilian established a wholly-owned subsidiary in Beijing – Beijing Yilian New Energy Technology Co., Ltd.* (北京驛聯新能源科技有限公司), to carry out business related to new energy vehicles operations.

3. On 29 February 2016, following the conclusion of the convertible notes subscription agreement between the Company and Broad-Ocean Motor (Hong Kong) Co., Ltd. on 12 October 2015, the Group issued convertible notes with principal amount of HK$100,000,000. For details, please refer to the Company's announcements dated 13 October 2015, 12 January 2016 and 29 February 2016.

4. On 31 May 2016, Zhuhai Yilian and Beijing Tianrun Yuchen Investment Co., Ltd.* (北京天潤昱宸投資有限公司) jointly established Zhangjiakou Yilian New Energy Technology Co., Ltd.* (張家口驛聯新能源科技有限公司) in Zhangjiakou, to carry out the sales and leasing of new energy vehicles, as well as the construction and service of charging facilities.

5. On 21 June 2016, the Group signed the capital increase and share expansion agreement with three new investors which invested in aggregate RMB2,500,000 in Zhuhai Yilian. On 27 July 2016, the Group completed the registration of change with the relevant industry and commerce authority of the PRC.

6. On 28 June 2016, Zhuhai Titans Power Electronics Group Co., Ltd* (珠海泰坦電力電子集團有限公司) ("Titans Power Electronics") signed a share transfer agreement to transfer its 51% equity interest held in Shenzhen Heimt Technology Co., Ltd.* (深圳市翰美特科技有限公司) ("Shenzhen Heimt"). On 14 July 2016, the registration of change with the relevant industry and commerce authority of the PRC was completed, and from then on, the Group no longer holds any equity interest in Shenzhen Heimt.

7. On 29 June 2016, the Group disposed of its 25.5% equity interest in the non-wholly owned subsidiary – Sichuan Titans Haote New Energy Vehicle Co., Ltd.* (四川泰坦豪特新能源汽車有限公司) ("Sichuan Haote"), at a cash consideration of RMB1,102,000. Upon the completion of the transfer, the Group's equity interest in Sichuan Haote decreased from 51% to 25.5%. On 27 July 2016, the Group signed the share issuance and asset purchase agreement and share subscription agreement with Sichuan Haote Precision Equipment Company Limited* (四川豪特精工裝備股份有限公司) ("Haote Precision"). Under these agreements, Haote Precision acquired the Group's 25.5% equity held in Sichuan Haote at the consideration of its 957,913 shares. On 31 August 2016, the registration of change with the relevant industry and commerce authority of PRC was completed, and from then onwards, the Group no longer holds any equity interest in Sichuan Haote. On 30 November 2016, the Group received 957,913 shares of Haote Precision.

MANAGEMENT DISCUSSION AND ANALYSIS

THE GROUP'S BUSINESS FOCUSES AND RELATED PLANS FOR 2017 ARE AS FOLLOWS:

New energy vehicle industry has become an important pillar of the national development strategy. With the gradual settlement of the "Getting Subsidy by Cheating" ("騙補") incident in the second half of 2016 and the determination of the threshold for enterprise and product access, the industry and the market have gradually restored confidence. At the same time, relevant policies are tend to improve and mature, which will lay the foundation for the development of China's new energy vehicle industry in 2017. Therefore, it is expected that China's new energy vehicle industry will re-enter the track of rapid development in 2017.

The Group will firmly adhere to the "Dual Drive" development strategy: one drive is R&D, manufacture and sales, and the other drive is investment, construction and operation. The Directors believe that the balanced development of traditional manufacture and emerging investment and operation services will promote more sustainable development of the Group.

I. In terms of R&D, manufacture and sales, the Group will mainly work on the following:

1. Further consolidate and enhance the competitiveness of products

The Group will provide users with a variety of power electronic products and integrated technology solutions by deeply plowing in the field of power electronics technology applications, with the aim to meet the quality, efficient and diversified applications of power. The Group will focus on the development of integrated enterprise-level optical storage products to lay the foundation for the energy storage market in the future. In addition, the Group will upgrade existing products, such as AC/DC charging piles, divided-battery charging system, vehicle charging system, single high-power charging system, converter, energy storage system, battery management products, grid-connected inverter system, micro-grid system, thereby enhancing the Group's product line and product competitiveness.

2. Strengthen marketing capabilities

Through the experience of the existing projects, the Group hopes to consolidate and promote the cooperation with grid companies, local governments, public transportation groups, electric vehicle operators and car park owners, etc. The Group will develop more optimised marketing policies to mobilise the enthusiasm of marketers and business partners, thereby enhancing the Group's overall marketing capabilities.

3. Seek horizontal or vertical merger and acquisition opportunities in the industry

The Group will closely follow the industry policies, explore the quality partners that complement with the Group, and integrate superior resources through horizontal or vertical merger and acquisition to exert operational collaboration role, and better achieve denotative expansion.

II. In the aspect of electric vehicle charging infrastructure investment, construction and operation, the Group will mainly work on the following:

1. Optimising products and specific users

"Optimising products" means that the Group will complete the whole building process and operational service products, including hardware and software, and service standardisation; "specific users" means that the Group will concentrate on the development of such three major markets as public transportation, logistics, car rental (including periodic leasing and car-hailing). In addition, the Group will also develop special strategies for regional markets: for market in first-tier cities, the main concerns are the number of charging service users, the number of charging stations (piles), the daily utilisation ratio of charging piles; for market in second- and third-tier cities, the focus is on resource acquisition and service refining, with charging volume, service revenue and customer satisfaction as the main goals.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Control risks and strengthen operations*

In the aspect of investment and cooperation, the Group will carry out electric vehicle charging infrastructure construction and operation by adhering to the policy of "efficiency focusing, rhythm mastering and risk controlling". In addition, the Group will strengthen low-cost construction and services, and strive to enhance customer satisfaction with low failure rate and rapid response capability.

3. *Process refining and standardisation*

Electric vehicle charging infrastructure investment and operation is a matter involving multi-link and cross-departmental collaboration, which requires meticulous planning, requirements, implementation, statistics, analysis and improvement. Based on two years of actual exploration of investment and operations, the Group will establish an integrative product, service and process standardised system to form the Group's core competitiveness.

4. *Release periodic-lease APP "Safe Travel" to open up car sharing*

"Safe Travel" APP is a vehicle periodic-lease APP developed by the Group for car sharing, with a view to better promoting the development of new energy vehicles. Through "Safe Travel" APP, users can rent cars very conveniently and travel by car on their own. Car sharing is more convenient than traditional car rental, in terms of renting process, as users can complete the whole process from registration, booking, taking the car, returning the car, and payment on their mobile phones, and car sharing also supports the taking/returning the car at different rental sites. Car sharing brings different user experience to car users, while improving the efficiency of car utilisation.

III. Integrated Operation of Photovoltaics, Energy Storage and Charging

With the promotion of low carbon and green energy strategies, as well as the implementation of supporting policies for the new round of power system reforms in the PRC, the application value of energy storage is well accepted and also represents a highlight in advancing energy transformation and energy structure adjustment in the PRC. The Group put in all-out efforts to the R&D of energy storage technology through Titans Energy Storage since 2015. Currently, the reserve of related energy storage technology is accomplished.

Leveraging on the energy storage technology and combining with its principal business, the charging business for electric vehicles, the Group is planning to tap into overall and systematic solutions of "photovoltaics + energy storage + charging" in 2017, to provide users with a complete systematic resolution "integrating photovoltaics, energy storage and charging", thus better expanding the Group's business chain and casting a positive effect on the Group's enhanced profitability and reorganisation of asset structure.

IV. Assurance Measures

1. *Strengthen the training to improve the quality of employees*

The Group believes that excellent employees are the most valuable wealth of enterprises. As the modern society develops very rapidly and knowledge updates instantly, the Group will strengthen the internal sharing and exchange mechanism and build a perfect training and development system in order to encourage employees' enthusiasm in learning and self-learning, and further improve the quality and work competence of employees. The training plans for 2017 include, and not limited to, the "New Employee Training Plan", the "Core Management Training Plan", the "Business Model Innovation Training Plan", and the "Transfer Training Plan" and so on. Through diversified trainings, the Group expects to create a better learning environment and build a better learning platform.

MANAGEMENT DISCUSSION AND ANALYSIS

2. *Strengthen budgeting and financial management*

   The Group will strengthen and improve the accuracy of budgeting, and adopt total cost and sub-total cost combined control to strictly standardise the control of costs and expenses. In addition, the Group will strengthen accounts receivable management, post-investment management and special management, further review the financial system and further improve the financial management.

3. *Process optimisation management*

   With the continuous development of the Group, it is imminent to optimise processes and further improve the office work efficiency. In 2017, the controlling subsidiaries of the Group appointed the chief process officers respectively, who are responsible for the optimisation of the corresponding company's processes, with the specific work including improving the existing processes, reviewing the existing processes, establishing new business processes, and implementing monthly process efficiency checks to promote the further optimisation of processes.

4. *Environmental, social and governance ("ESG") efforts*

   The Group will keep on improving its level of works based on the ESG work guidelines issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group strives to promote better development of charging infrastructure through technology innovation and business model innovation, in a bid to boost the development of new-energy vehicles. It is also intended to achieve greater improvement in environment and minimise its negative impact on climate change. The Group's new production base located in Zhuhai City, Guangdong Province is now under construction, which, upon completion, will provide our staff with more healthy, safe and comfortable environment for working. The Group will continuously adhere to the most serious principle of business integrity and abide by local laws. And in no way shall the Group provide, pay, ask for or accept any bribery, whether directly or indirectly. Also, all of the Group's stakeholders will be treated objectively, consistently and fairly.

   By endeavoring to implement the above development strategies and business plan and advancing with the times, the Group will achieve greater development in 2017.

FINANCIAL REVIEW

Revenue

Our revenue increased from RMB195,902,000 for the year ended 31 December 2015 to RMB289,298,000 for the year ended 31 December 2016, representing an increase of approximately 47.67%. The increase in revenue of the Group was mainly due to the significant increase in the revenue of the Group's key products, being charging equipment for electric vehicles, attributable to the benefit from the new energy policies in China and the increase in the construction income generated from charging stations facilities for construction under BOT arrangements during the period.

Cost of sales

Our cost of sales, which mainly included raw material costs, direct labour costs and manufacturing expenses, increased by approximately 56.81% from RMB124,117,000 for the year ended 31 December 2015 to RMB194,623,000 for the year ended 31 December 2016. Increase in cost of sales was primarily due to the significant increase in revenue and the increase in raw materials and labor costs.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit

The table below sets out our gross profit and gross profit margin for the years ended 31 December 2015 and 2016:

	For the year ended 31 December 2016			For the year ended 31 December 2015		
	Gross Profit RMB'000	**Percentage of total gross profit %**	**Gross profit margin %**	Gross profit RMB'000	Percentage of total gross profit %	Gross profit margin %
Electrical DC products	**19,885**	**21.00**	**23.88**	19,819	27.61	28.85
Charging equipment for electric vehicles	**64,169**	**67.78**	**36.77**	50,582	70.46	41.26
Charging services for electric vehicles	**677**	**0.72**	**26.53**	15	0.02	28.85
Power grid monitoring and management products	**–**	**–**	**–**	1,130	1.58	41.59
Construction under BOT arrangements	**9,338**	**9.86**	**34.98**	–	–	–
Electric vehicles	**606**	**0.64**	**26.95**	239	0.33	12.90
Total/average	**94,675**	**100**	**32.73**	71,785	100	36.64

Our gross profit increased by approximately 31.89% from RMB71,785,000 for the year ended 31 December 2015 to RMB94,675,000 for the year ended 31 December 2016. Our gross profit margin decreased from approximately 36.64% for the year ended 31 December 2015 to approximately 32.73% for the year ended 31 December 2016. The decrease in gross profit margin was primarily due to the increasingly matured technologies of our main products. In particular, the market competition intensified with more and more investors gained access to the market since charging equipment products relating to electric vehicles were benefitted from and driven by the new energy policies in China.

Other revenue

Our other revenue reclassified, which mainly included VAT refunds, government grants and bank interest income, decreased by approximately 46.47% from RMB25,244,000 for the year ended 31 December 2015 to RMB13,514,000 for the year ended 31 December 2016.

The decrease in other revenue of the Group was mainly attributable to the combined effect of, amongst others, the increase in income from tax refunds of software of approximately RMB1,550,000 and the decrease in government grants of approximately RMB12,331,000 during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution expenses

Our selling and distribution expenses, which mainly comprised the relevant expenses in sales and after-sales services, salaries of sales personnel, benefits and travelling expenses, and office expenses, entertainment expenses and other expenses, increased by approximately 26.79% from RMB41,033,000 for the year ended 31 December 2015 to RMB52,027,000 for the year ended 31 December 2016. Our selling and distribution expenses as a percentage of revenue decreased from approximately 20.95% for the year ended 31 December 2015 to approximately 17.98% for the year ended 31 December 2016. The increase in the Group's selling and distribution expenses was mainly due to the following integrated factors during the reporting period: (1) an increase in remuneration and benefits relating to personnel addition of approximately RMB5,974,000; (2) an increase in travelling expenses from salesmen of approximately RMB2,351,000; (3) an increase in sales-related expenses such as transportation and equipment installation of approximately RMB2,394,000; (4) an increase in expenses such as office expenses, business entertainment, advertisement and depreciation on equipment of approximately RMB1,198,000; and (5) a decrease in sales-related expenses such as other miscellaneous expenses of approximately RMB923,000.

Administrative and other expenses

Our administrative and other expenses reclassified, which mainly comprised, inter alia, management and back office staff costs, research and development expenses, travelling expenses and entertainment expenses, and foreign exchange gain and loss etc., increased by approximately 17.43% from RMB53,107,000 for the year ended 31 December 2015 to RMB62,363,000 for the year ended 31 December 2016. Our administrative and other expenses as a percentage of revenue decreased from approximately 27.11% for the year ended 31 December 2015 to approximately 21.56% for the year ended 31 December 2016. The increase in our administrative and other expenses during the reporting period was mainly due to the following integrated factors: (1) an increase in management-related expenses such as wages and benefits of approximately RMB6,498,000; (2) an increase in travelling, office and entertainment expenses of approximately RMB1,014,000; (3) an increase in bank charges, legal and professional fee of approximately RMB1,106,000; (4) an increase in expenses including rental expense, repair and maintenance, prepaid lease payments and materials consumption of approximately RMB1,081,000; (5) an increase in other miscellaneous expense including utilities of approximately RMB308,000; (6) a decrease in R&D cost of approximately RMB445,000; and (7) a decrease in depreciation on property, plant and equipment of approximately RMB306,000.

Allowance for impairment loss recognised in respect of trade receivables

For the year ended 31 December 2016, individually impaired trade receivables of approximately RMB17,854,000 (2015: RMB43,696,000) was included in allowance for impairment loss of trade receivables. The decrease in allowance for impairment loss of trade receivables of approximately RMB25,842,000 was mainly due to a decrease in trade receivables with longer collection period than normal during the period over that of last year, as well as a corresponding decrease in amount of individually impaired allowance made according to accounting principles.

Share of results of associates

As at 31 December 2016, the Group owned 35% (as at 31 December 2015: nil) equity interest in Beijing Pangda Yilian New Energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian"). Pangda Yilian was accounted for as the Group's associate, and the Group's share of loss from Pangda Yilian for the year ended 31 December 2016 was approximately RMB464,000.

As at 31 December 2016, the Group owned 20% (as at 31 December 2015: 20%) equity in Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森信息技術有限公司) ("Beijing Aimeisen"). Beijing Aimeisen is mainly engaged in the construction of charging equipment network for electric vehicles business. Beijing Aimeisen was accounted for as the Group's associate, and the Group's share of profit from Beijing Aimeisen for the year ended 31 December 2016 was approximately RMB30,000.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2016, the Group indirectly held 26.4% (as at 31 December 2015: nil) equity interest in Changsha Xiandao, which principally engaged in the sales of electric vehicles as well as the construction and operation of charging facilities. Changsha Xiandao was accounted for as the Group's associate, and the Group's share of loss from Changsha Xianda for the year ended 31 December 2016 was approximately RMB28,000.

Available-for-sale financial assets

In 2016, the Group negotiated with Wuxi Lead Intelligent Equipment Co. Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent") in relation to the disposal of the Group's 10% equity interests in Zhuhai Titans New Power Electronics Co. Ltd* (珠海泰坦新動力電子有限公司) ("Titans New Power"). On 5 January 2017, the parties entered into a sale and purchase agreement in relation to the disposal of equity interests, details of which are set out in the announcement issued on 6 January 2017 and the supplementary announcement dated 9 January 2017 of the Company.

As at 31 December 2016, based on the valuation report from a qualified professional asset valuer, the fair value of 10% equity interests in Titans New Power was approximately RMB137,100,000 and a fair value gain of approximately RMB136,174,000 was recognised under available-for-sale financial assets. This gain has been reflected in total comprehensive income in the current statement of profit or loss.

On 30 September 2016, Zhuhai Titans Technology Co., Limited* (珠海泰坦科技股份有限公司) ("Titans Technology") disposed of its 8.94% equity interests in Youke to an independent third party for a cash consideration of RMB2,235,000. This transaction recorded a gain of approximately RMB87,000 for the current period.

Finance costs

Our finance costs increase by approximately 63.64% from RMB7,736,000 for the year ended 31 December 2015 to RMB12,659,000 for the year ended 31 December 2016. Our finance costs as a percentage of revenue increase from approximately 3.95% for the year ended 31 December 2015 to approximately 4.38% for the year ended 31 December 2016. The increase in our finance costs was mainly due to the increase in the average amount of bank borrowings and the convertible notes with a principal of HK$100,000,000 as at 29 February 2016.

Income tax expense/credit

Our income tax expense was RMB5,998,000 for the year ended 31 December 2016 whereas income tax credit was RMB2,589,000 for the year ended 31 December 2015. The effective tax rate (being the ratio of our tax expense/credit to our profit/loss before tax) for the year ended 31 December 2016 was 54.8% (2015: 8.5%).

Loss attributable to non-controlling interests

For the year ended 31 December 2016, loss attributable to non-controlling interests of the non-wholly owned subsidiaries of the Company was approximately RMB2,324,000, as compared with a loss of approximately RMB1,682,000 for the year ended 31 December 2015. This amount represents the loss attributable from the non-wholly owned subsidiaries of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to owners of the Company for the year ended 31 December 2016 was RMB7,279,000 whilst loss attributable to owners of the Company for the year ended 31 December 2015 was RMB26,061,000. Net profit margin attributable to owners of the Company was 2.52% (2015: not applicable). The increase in profit attributable to the owners of the Company, which turning loss into profit, was mainly attributable to: (1) the significant increase in revenue of our key products during the period, benefitted from and driven by the new energy policies in China; (2) the increase in the construction revenue under BOT arrangements; and (3) the increase in revenue derived from charging services for electric vehicles.

Total comprehensive income attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB109,409,000 whilst total comprehensive expense for the year ended 31 December 2015 was approximately RMB25,205,000, representing an increase of approximately RMB134,614,000. The significant increase in comprehensive income attributable to owners of the Company was mainly attributable to the increase in fair value gain on available-for-sale financial assets arising from the disposal of 10% equity interest in Titans New Power.

INVENTORY ANALYSIS

The table below sets out the information on our inventory for the years ended 31 December 2015 and 2016:

	Year ended 31 December			
	2016		2015	
	RMB'000	**%**	RMB'000	%
Raw materials	**9,735**	**9.94**	9,528	10.62
Work-in-progress	**13,120**	**13.40**	19,543	21.78
Finished goods	**75,038**	**76.66**	60,646	67.60
	97,893	**100.00**	89,717	100.00

The Group's inventory balances increased from RMB89,717,000 as at 31 December 2015 to RMB97,893,000 as at 31 December 2016.

Our average inventory turnover days decreased from approximately 228 days for the year ended 31 December 2015 to approximately 176 days for the year ended 31 December 2016, which was due to our intensified effort to destock during the period.

The Group has not made any general or specific provision for the inventory as at 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS ON TRADE AND BILLS RECEIVABLES

As at 31 December 2015 and 2016, our trade and bills receivables (net of allowance) amounted to RMB331,730,000 (comprising trade receivables of RMB329,583,000 and bills receivables of RMB2,147,000) and RMB228,365,000 (comprising trade receivables of RMB216,407,000 and bills receivables of RMB11,958,000) respectively. The decrease in trade and bills receivables was mainly due to the adjustments to credit policies against the customers and the enhanced management to trade receivables during the period.

The table below sets forth the ageing analysis of our trade receivables by due date as of 31 December 2015 and 2016:

	Year ended 31 December 2016				Year ended 31 December 2015			
	Gross amount RMB'000	**Allowance for bad debt RMB'000**	**Net amount RMB'000**	**%**	Gross amount RMB'000	Allowance for bad debt RMB'000	Net amount RMB'000	%
Neither past due nor impaired	**81,572**	**–**	**81,572**	**37.69**	104,822	–	104,822	31.80
0 to 90 days	**33,208**	**–**	**33,208**	**15.35**	40,484	–	40,484	12.29
91 days to 180 days	**9,560**	**–**	**9,560**	**4.42**	10,226	–	10,226	3.10
181 days to 365 days	**39,699**	**–**	**39,699**	**18.34**	61,795	–	61,795	18.75
Over 1 year to 2 years	**54,586**	**(10,798)**	**43,788**	**20.23**	103,332	(7,764)	95,568	29.00
Over 2 years to 3 years	**15,158**	**(8,343)**	**6,815**	**3.15**	43,825	(31,174)	12,651	3.84
Over 3 years	**46,246**	**(44,481)**	**1,765**	**0.82**	41,627	(37,590)	4,037	1.22
Total	**280,029**	**(63,622)**	**216,407**	**100**	406,111	(76,528)	329,583	100

Our key product, namely electrical DC product series, is being supplied to, among others, power generation plants and power grid companies. Sales are recognised upon product delivery which may be before the date when the trade receivables are due for payment. Our customers are only required to pay us the purchase price pursuant to the terms of the sales contracts. In respect of the sale of our electrical DC products, we may require the payment of a deposit of 10% of the total contract sum to be paid after the signing of the contract, and 80% of the contract sum to be paid by the customer after our products have been delivered and satisfactorily installed and tested. It is normally stipulated that the balance of 10% will be withheld, being the retention money as a form of product performance surety, and will be paid by the customer to us 12 to 18 months after on-site installation and testing for the equipments.

We may grant an average credit period of 90 days from the above installment payment due dates (including the payments of deposit, the payments due after testing and the payments of retention money).

We believe that the longer trade and bills receivables turnover days and the high proportion of overdue trade and bills receivables were mainly due to (1) the fact that some of our customers in the power generation or transmission sectors settle the amounts payable to their suppliers, including us, after the completion of the construction of their whole power generation units or transforming stations; and (2) the delay in the schedule of some of the customers' projects.

Whilst we believe it is a special nature of the power electronic market that equipment suppliers will face a relatively long trade receivables turnover, we will continue to monitor, control and speed up the collection of our trade receivables by closely liaising with our customers and monitoring the progress of their projects.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year end 31 December 2016, we made an impairment loss on trade receivables of approximately RMB17,854,000, (2015: approximately RMB43,696,000).

ANALYSIS ON TRADE AND BILLS PAYABLES

As at 31 December 2015 and 2016, our trade and bills payables amounted to approximately RMB88,749,000 (comprising trade payables of approximately RMB78,417,000 and bills payables of approximately RMB10,332,000) and approximately RMB63,968,000 (comprising trade payables of approximately RMB58,576,000 and bills payables of approximately RMB5,392,000) respectively. The decrease in trade and bills payables was mainly due to the increase in working capital and the enhanced management to trade receivables during the period. For the years ended 31 December 2015 and 2016, our trade and bills payable turnover days were approximately 208 days and approximately 122 days respectively.

The table below sets out the ageing analysis of our trade payables as of 31 December 2015 and 2016:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Within 90 days	**50,059**	70,042
91 days to 180 days	**9,198**	4,315
181 days to 365 days	**4,711**	5,519
Over 1 year to 2 years	**–**	7,315
Over 2 years to 3 years	**–**	1,558
	63,968	88,749

MANAGEMENT DISCUSSION AND ANALYSIS

DEBTS

All of our debts are classified as short-term liabilities which are payable within 12 months from the respective end of the reporting period. The following table sets out our indebtedness as at 31 December 2015 and 2016. All of our bank borrowings were denominated in Renminbi.

	Year ended 31 December 2016		Year ended 31 December 2015	
	RMB'000	**Applicable effective interest rates**	RMB'000	Applicable effective interest rates
Current				
Bank borrowings	**149,850**	**0.32% to 4.67%**	126,700	0.40% to 4.67%
Non-current				
Convertible notes	**75,412**	**4.35%**	–	–
	225,262		126,700	

As at 31 December 2016, total bank borrowings and convertible notes amounted to RMB225,262,000 (as at 31 December 2015: RMB126,700,000), among which RMB149,850,000 were secured loans (as at 31 December 2015: RMB86,700,000), and nil were unsecured loans (as at 31 December 2015: RMB40,000,000). Bank borrowings and convertible notes as at 31 December 2016 were subject to the floating interest rates ranging from 0.32% to 4.67% per annum (as at 31 December 2015: from 0.40% to 4.67% per annum).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2016, the total equity of the Group amounted to RMB585,042,000 (as at 31 December 2015: RMB477,787,000), the Group's current assets were RMB857,346,000 (as at 31 December 2015: RMB674,538,000) and current liabilities were RMB263,517,000 (as at 31 December 2015: RMB244,470,000). As at 31 December 2016, the Group had short-term bank deposits, bank balances and cash of RMB143,844,000 (as at 31 December 2015: RMB88,621,000), excluding restricted bank balances of RMB148,548,000 (as at 31 December 2015: RMB81,823,000).

The Group finances its operations with internally generated cash flow and bank borrowings as well as convertible notes issued on 29 February 2016 with principal amount of HK$100,000,000. As at 31 December 2016, the Group had outstanding bank borrowings and convertible notes of RMB225,262,000 (as at 31 December 2015: RMB126,700,000).

MANAGEMENT DISCUSSION AND ANALYSIS

DISPOSAL OF SUBSIDIARIES

On 29 June 2016, the Group disposed of its 25.5% equity interests in Sichuan Haote for a cash consideration of RMB1,102,000. This transaction recorded a gain of approximately RMB481,000, during the current period.

On 28 June 2016, Titans Power Electronics disposed of 51% equity interests in Shenzhen Heimt at cash consideration of RMB1. This transaction recorded a loss of approximately RMB1,056,000 during the current period.

DISPOSAL OF ASSOCIATE

On 27 July 2016, the Group signed the share issuance and asset purchase agreement and share subscription agreement with Haote Precision. Under these agreements, Haote Precision used its own 957,913 shares to exchange for the Group's 25.5% equity interests held in Sichuan Haote. This transaction recorded a gain of approximately RMB5,138,000 during the reporting period.

CONTINGENT LIABILITIES

As at 31 December 2016 and at the date of this annual report, the Group had no material contingent liability.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had capital expenditure contracted for but not provided in the consolidated financial statements of approximately RMB65,636,000 (as at 31 December 2015: approximately RMB77,609,000) in respect of investment, factory renovation and purchase of equipment.

Save as disclosed above, as at 31 December 2016 and at the date of this annal report, the Group does not have other capital expenditure authorised but not contracted for in respect of investment, factory renovation and purchase of equipment.

PLEDGE OF ASSETS

The Group's leasehold land and buildings of carrying amount of approximately RMB2,902,000 as at 31 December 2016 (as at 31 December 2015: approximately RMB3,608,000) were pledged to secure the bank borrowings and facilities.

EMPLOYEES AND REMUNERATION

As at 31 December 2016, the Group had 490 employees in total (as at 31 December 2015: 405 employees). The remuneration paid to our employees and Directors is based on experience, responsibility, workload and the time devoted to the Group.

The Group participates in various employees' benefit plans such as a retirement benefit scheme and medical insurance. The Group also makes contributions to the retirement fund in compliance in all material respects with the requirements of the laws and regulations of the jurisdictions where it operates.

All the PRC-based employees are entitled to participate in the social insurance operated by the Ministry of Labour and Social Security, and the premium is undertaken between the Group and the employees based on the percentages stipulated by relevant PRC laws.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE

The Group conducts its business primarily in the PRC with substantially all of its transactions denominated and settled in Renminbi. The Group's consolidated financial statements are expressed in Renminbi, whereas the dividends on the shares of the Company, if any, will be paid in Hong Kong dollars. Thus, any fluctuation of Renminbi could affect the value of the shares.

During the reporting period, the Group recorded an exchange gain of approximately RMB997,000 (2015: exchange gain of RMB1,129,000). The gain of such foreign exchange arose as a result of the difference between the exchange rate on the date of transaction and the exchange rate on 31 December 2016 as well as the difference between the exchange rate on 19 February 2016 when the convertible notes with principal amount of HK$100,000,000 were converted into RMB and the exchange rate on 31 December 2016 upon conversion. As at 31 December 2016, the Group did not have significant foreign exchange hedging.

The Group adopted a conservative approach to manage its treasury policies. Our treasury function mainly involves the management of our cash flow. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the year ended 31 December 2016.

Our accounts department projects monthly cash receipts and plans for cash payments based on the information provided by our marketing management and support teams regarding the progress on the customers' projects and relevant payment plans. Subsequently, our accounts department plans for cash payments based on the projections.

The Group endeavours to reduce exposure to credit risk by performing on-going credit evaluations of the financial condition of its customers. Our sales representatives and other sales staff, together with our sales partners monitor timely as appropriate the development of our customers' projects and communicate with our customers regarding the settlement of our trade and bills receivables.

MATERIAL LITIGATION AND ARBITRATION PROCEEDINGS

The Group has no material litigation or arbitration proceedings during the year ended 31 December 2016.

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised from the listing of the shares of the Company (the "Shares") on the Main Board of the Stock Exchange on 28 May 2010 were approximately HK$243,600,000 (equivalent to approximately RMB214,588,000). All the net proceeds raised from the listing have been fully need as intended.

SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

Share Subscription

On 12 October 2015, the Company entered into a share subscription agreement (the "Share Subscription Agreement") with Broad-Ocean Motor (Hong Kong) Co. Limited (the "Subscriber"). Pursuant to the Share Subscription Agreement, the Subscriber agreed to subscribe for, and the Company issued, 84,096,000 Shares at the share subscription price of HK$1.19 per subscription share. Such issuance was completed on 22 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF CONVERTIBLE NOTES

On 12 October 2015, the Company and the Subscriber entered into a subscription agreement on convertible notes, pursuant to which the Company agreed to issue, and the Subscriber has subscribed for, the convertible notes in the principal amount of not more than HK$100,000,000. Based on the initial conversion price of HK$1.19, a maximum number of 84,033,613 conversion shares will be allotted and issued upon full conversion of the convertible notes. The issue of convertible notes with aggregate principal amount of HK$100,000,000 was completed on 29 February 2016. During the year ended 31 December 2016, there is no conversion of convertible notes into shares in the Company. For more details, please refer to the announcements of the Company dated 13 October 2015, 12 January 2016 and 29 February 2016.

REASONS FOR AND BENEFITS OF THE SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

The Group intended to use the net proceeds from the share subscription and issue of the convertible notes for supplementing the operating capital of the Group. The Directors (including the independent non-executive Directors) were of the view that the share subscription and issue of the convertible notes would enhance the liquidity of the Group and provide capital for any future investment opportunities of the Group, and the terms thereunder were fair and reasonable and in the interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS IN RELATION TO THE SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES

(1) In Respect of the Share Subscription

The gross proceeds and the net proceeds (after deduction of related expenses payable by the Company) of the share subscription were approximately HK$100,074,240, equivalent to approximately RMB81,988,000, and HK$99,500,000, equivalent to approximately RMB81,518,000, respectively. The net issue price per subscription share based on the above net proceeds was approximately HK$1.183.

(2) In Respect of the Issue of the Convertible Notes

The aggregate principal amount of the convertible notes was HK$100,000,000, the net proceeds (after deducting estimated expenses) from the issue of the convertible notes was approximately HK$99,727,000, equivalent to approximately RMB84,246,000 and approximately RMB84,016,000, respectively and the net price per conversion share was approximately HK$1.187.

MANAGEMENT DISCUSSION AND ANALYSIS

40% of the above net proceeds from share subscription and the convertible notes would be applied as to the investment for construction and operation of charging facilities for electric vehicles of the Company, 50% of the above net proceeds would be used as to enhance the liquidity of our wholly-owned subsidiary, Titans Technology and the remaining 10% of the above net proceeds will be used as to the investment for research and development of new technologies on energy reserves etc. of the Group.

	As at 31 December 2016			
Proposed use of proceeds	**Intended amount to be used from Share Subscription**	**Intended amount to be used from Convertible Notes**	**Total Intended amount to be used**	**Actual amount used**
	RMB'000	RMB'000	RMB'000	RMB'000
Investment for construction and operation of charging facilities for electric vehicles	32,607	33,606	66,213	41,684
Enhancement of the liquidity of Titans Technology	40,759	42,008	82,767	82,767
Investment for research and development of new technologies on energy reserves	8,152	8,402	16,554	1,643
	81,518	84,016	165,534	126,094

As at 31 December 2016, unutilised balance of the proceeds from share subscription and issue of convertible notes was approximately RMB39,440,000, and was deposited with banks in the PRC and Hong Kong.

DIRECTORS' REPORT

The Directors submit the directors' report together with the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company is an investment holding company. The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. The principal activities of each of the subsidiaries of the Company are set out in note 44 to the consolidated financial statements.

Business segments

The Group is principally engaged in (i) the supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under BOT arrangements. Business analysis of sales, segment results, total assets and capital expenditures are set out in note 6 to the consolidated financial statements.

Geographical segments

The Group operates in the People's Republic of China.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 78 to 79 of this annual report.

The Board does not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain the entitlement to attend and vote at the annual general meeting (the "AGM") of the Company, which is proposed to be held on Wednesday, 31 May 2017, the register of members of the Company will be closed from Thursday, 25 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2017.

DIRECTORS' REPORT

BUSINESS REVIEW

Overview

The fair review of the Group's business is detailed in the Management Discussion and Analysis on pages 8 to 16 of this annual report. The discussion constitutes a part of this Directors' Report.

Principal Risks and Uncertainties

1. The Risk of Industry Policies

The Company's products are mainly applied in new energy electric vehicles and power industry. The growth of industry where the Company current operates rests in actual demands of the PRC economy, and is also susceptible to national policies. Recently, the central and local governments have introduced various support policies to encourage and guide the development of new energy electric vehicles and other strategic emerging industries. However, due to the rapid development of the emerging industry, there are uncertainties of the direction of development and achievements, so the national policy may also appear corresponding adjustments. If the macroeconomic operating situations in major markets or the relevant government support or subsidies policy have significant changes, the development of the industry and the Company's profit level will be affected to some extent. In addition, as investment and operation of electric vehicles charging network is an emerging business and national standards and industrial standards are yet to be perfected, there still exist uncertainties in the profit mode for investment in public charging network.

The Group will further strengthen its research on the development policies of national new energy industry and power industry and timely adjust its technological research and development strategy and production and operation strategy based on the Group's judgement on the changes of the industrial policies.

2. Technology Risk

With increased competitive market, technology replacement cycle is becoming shorter and shorter, and products performance and service standards for customer have become increasingly demanding. Application of new technologies and new product development is one of the key points to ensure the Group's core competitiveness. If we cannot reasonably and continuously increase the technical inputs and accurately grasp the technology, products and market trends, fail to timely develop products with high-quality, high technical standards, and keep in line with market expectations in the future, it will be difficult to maintain the core competitiveness of the Group and have impact on the Group's profitability in the future. Only by maintaining a strong competitive advantage, the Group can maintain its market position. The Group attaches great importance to technology research and development and the introduction of technical personnel, and it has a dynamic and experienced R&D team. In 2015, the Group's postdoctoral research station was approved and the establishment of the station will further enhance the Group's R&D strength. To this end, the Group will fully analyze the future direction of technology, continue to enrich the product line, optimize product mix, improve product and service content, so as to provide customers with a more comprehensive product solutions and services. At the same time, the Group will strengthen supply chain management, shorten the length of the supply chain through the allocation of resources to ensure the supply of products and services.

DIRECTORS' REPORT

3. **Management Risk**

The Company's main products and services include power DC power supply products, electric vehicle charging equipment, and construction and service of electric vehicle charging facilities, etc. In addition to product research and development, production and sales, the Group increased investment in the construction of the electric vehicle charging network and service business during the reporting period, the operation of the business requires highly on the management ability and efficiency of management. At present, the Company has established a relatively effective investment decision-making system and comparatively perfect system of internal control, and continued to cultivate, introduce professional talents for management, technology and other aspects. The Group will continue to carry out the strict risk control policy, and refine the risk control of each link, risk prediction and prevention.

4. **Recovery Risk on Accounts Receivables**

During the reporting period, the Group's accounts receivables balances decreased significantly, making an effective improvement in recovery risk on accounts receivables. The customers of the Group's products are power grid companies, power generation plants and large public institutions. Therefore, security level of accounts receivables is high and the overall recovery risk is remote. However, with the expansion of the scale of operation, the Group's accounts receivable is expected to remain at a high level as a result of the characteristics of the industry, longer customer payback periods and other factors. If the Group cannot manage the accounts receivable collection progress effectively, the Group's operating funds pressure will further increase, which would have possible adverse effects on the Group's business. In this regard, the Group will further strengthen the accounts receivable handling and collection, strengthen the customer relationship management (CRM), and minimize the risk of accounts receivable from the market development, the signing and the execution of the contract, and so on.

Important Event after the Reporting Period

Disposal of 10% equity interest in Titans New Power

On 5 January 2017, Titans Power Electronics entered into a sale and purchase agreement with Lead Intelligent, pursuant to which the Company has conditionally agreed to dispose of 10% equity interest in Titans New Power at the aggregate consideration of RMB135,000,000 (the "Consideration"), in which (i) 45% of the Consideration, being RMB60,750,000, will be settled by cash; and (ii) 55% of the Consideration, being RMB74,250,000, will be settled by 2,185,108 shares of Lead Intelligent, representing approximately 0.54% of the existing issued shares of Lead Intelligent as at 5 January 2017. The Consideration was determined with reference to the valuation report prepared by an independent valuer engaged by Lead Intelligent with fair value of approximately RMB1,350,000,000. The transaction was not completed as at the date of this report.

Details are set out in the Company's announcements issued on 6 January 2017 and 9 January 2017.

DIRECTORS' REPORT

Future Business Developments

The future business development of the Group is detailed in "THE GROUP'S BUSINESS FOCUSES AND RELATED PLANS FOR 2017 ARE AS FOLLOWS:" under the Management Discussion and Analysis on pages 14 to 16 of this annual report. The discussion constitutes a part of this Directors' Report.

Key Performance Indicators

The key performance indicators are detailed in the financial review under the Management Discussion and Analysis on pages 16 to 27 of this annual report. The discussion constitutes a part of the Directors' Report.

Environmental Policies and Performance

The Group shall strictly comply with the relevant environmental protection laws and regulations of the People's Republic of China in the process of production and management. As of the end of the reporting period, there is no environmental incident, and the Group was not suffered any significant environmental claims or litigations.

Compliance with Laws And Regulations

To the best of the knowledge of the Board and the management, the Group complied with the relevant laws and regulations which constitute material impact on the business and operation of the Company and its subsidiaries in all material respects.

Relationships with Employees

Employees are regarded as the Group's most valuable asset. The Group's remuneration policy is determined based on the employee's experience, responsibility, workload and the time spending for the Group. The Group offers a competitive remuneration for employees, typically include basic salary, performance bonus, allowances and subsidies. On 8 May 2010, the Group also adopted share option scheme based on a written resolution of shareholders with a purpose to granted share options to valuable employees and other qualified persons of the Group. The Group emphasizes on workplace safety, and arranges regular annual medical examination for staff.

The Group provides feedback to their performance through performance appraisal and provides recruits and in-service training for employees. The Group will continue to provide in-service training, which covers technology, quality management and mandatory training required by laws and regulations. The Group also provides management training for managers or potential managers.

The Group believes that direct and effective communication is essential for the establishment of good relations between the management and employees. We have set up unions, as the representatives of the employees, which is one of the main channels of communication. The Group receives comments and suggestions from employee every year through internal networks and the suggestion box, and adopts and analyzes related comments and suggestions, and rewards those providing recommendations.

DIRECTORS' REPORT

Relationships with Customers and Suppliers

The Group's major customers include power grid companies, power plants, public transportation systems, government departments, etc. The Group aims to provide customers with good quality products and services in order to strive for continued growth of sale revenue and profitability. The Group has strengthened communications between the customers and the Group by strengthening information management, so as to provide superior quality products and services.

The Group maintains a good relation with suppliers, at the same time, conducts regular assessment and management on suppliers, integrate suppliers resources, control procurement costs and secure the effectiveness of the supply chain based on product quality, price, ability to deliver products on time, after-sale service and other factors. The Group's main suppliers are raw material suppliers. For the procurement of bulk commodities or services, the Group has set bidding program with strict implementation.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased approximately 29.87% of its goods and services from its 5 largest suppliers and sold approximately 32.84% of its goods and services to its 5 largest customers. The Group's largest supplier accounted for approximately 9.20% of the Group's total purchases. The Group's largest customer accounted for approximately 9.52% of the Group's total revenue.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 December 2016 are set out in the accompanying consolidated statement of changes in equity and note 43(b) to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 15 to the accompanying consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the reserves of the Company available for distribution to shareholders of the Company amounted to approximately RMB298.3 million (2015: RMB300.4 million).

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles of Association") and the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

TAX RELIEF

The Company is not aware of any tax relief or exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is included in financial highlights on pages 4 to 5 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

EQUITY-LINKED AGREEMENTS

Save as the share option scheme (the "Share Option Scheme") of the Company disclosed below, as well as the issue of convertible notes disclosed in the paragraph of "SHARE SUBSCRIPTION AND ISSUE OF CONVERTIBLE NOTES" in the Management Discussion and Analysis on pages 25 to 27, no equity-linked agreements were entered into by the Company during the year.

SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to a written resolution of the shareholders of the Company passed on 8 May 2010 (the "Adoption Date").

The purpose of the Share Option Scheme is to enable the Group to grant options to select participants as incentives or rewards them for their contributions to the Group. All officers, employees, agents, consultants or representatives of any member of the Group, (including any executive or non-executive Director) who the Board may determine in an absolute discretion, has made valuable contribution to the business of the Group based on his performance and/or years of service, or is regarded to be valuable human resource of the Group are eligible to participate in the Share Option Scheme subject to such conditions as the Board may think fit.

The Share Option Scheme will remain in force for a period of 10 years after the Adoption Date.

DIRECTORS' REPORT

When the Share Option Scheme has approved by the Shareholders, it was also approved that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 10% of the Shares in issue on the date of listing of shares of the Company on the Stock Exchange, i.e. 80,000,000 Shares (the "Scheme Mandate Limit") which represented approximately 8.65% of the Shares in issue as at the date of this annual report. The Company may renew the Scheme Mandate Limit with shareholders' approval provided that each of such renewal may not exceed 10% of the Shares in the Company in issue as at the date of the shareholders' approval.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 79,880,000 Shares, representing 8.64% of the issued share capital of the Company.

The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

Unless approved by the Company's shareholders, the total number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-months period shall not exceed 1% of the issued share capital of the Company for the time being.

A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, which period must expire no later than 10 years from the date of the grant (subject to acceptance) of the option.

The right to exercise an option is not subject to or conditional upon the achievement of any performance target unless otherwise stated in the grant letter which is to be made by the Company to the participant of the Share Option Scheme upon granting of option.

The subscription price for the Shares under the Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

DIRECTORS' REPORT

No options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme during the year ended 31 December 2016. There were no outstanding options under the Share Option Scheme at the beginning and at the end of the year ended 31 December 2016.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Mr. Li Xin Qing
Mr. An Wei
Mr. Li Wan Jun*
Mr. Zhang Bo*
Mr. Pang Zhan*

* Independent non-executive Directors

Pursuant to article 84(1) and 84(2) of the Articles, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Accordingly, Mr. Li Xin Qing and Mr. Li Wan Jun, shall retire by rotation, at the AGM and being eligible, will offer themselves for re-election as Directors at the AGM.

Pursuant to article 83(3) of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for the re-election.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with our Company. These agreements, except as indicated, are in all material respects identical and are summarised below:

(i) Each service agreement is for a term of three years commencing from 28 May 2016 (the "Commencement Date"). Under the agreement, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice, provided that such notice is not to be given at any time within 9 months of the Commencement Date.

(ii) For the first year from the Commencement Date, the monthly basic salary for each of Mr. Li Xin Qing and Mr. An Wei shall be HK$50,000 and HK$50,000 respectively and shall accrue on a day to day basis. As from the second year from the Commencement Date, the annual basic salary of each executive Director shall be as determined by the remuneration committee of the Board, provided that any increment shall not be more than 10% of the annual basic salary received by the executive Directors for the immediate preceding year.

(iii) Each of the executive Directors is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year may not exceed 3% of the audited consolidated net profit of the Group (after taxation and minority interest but before extraordinary or exceptional items) in respect of that financial year of our Company.

(iv) Each of the executive Directors shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board regarding the amount of annual salary or discretionary bonus payable to him.

In respect of the independent non-executive Directors, Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2016 with the Company and Mr. Li Wan Jun has signed a letter of appointment for a term of three years while commencing from the Commencement Date with the Company and Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2015 with the Company. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice. The monthly director's fee for each independent non-executive Director is HK$10,000.

Save as disclosed above, none of our Directors, including those proposed for re-election at the AGM, has entered or has proposed to enter into any service agreement with us or any other members of the Group, which is expired or determinable by us or any member of the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

REMUNERATION OF DIRECTORS

Details of remuneration of the directors are set out in note 11 to the consolidated financial statements in this annual report.

CHANGES IN DIRECTORS' INFORMATION

Up to the date of this annual report, the changes to the information in respect of the Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), which are set out as follows:

In October 2016, Mr. Zhang Bo was appointed as an independent director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851).

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors confirmation of his independence and the Company considers that each of them to be independent based on the guidelines set out in Rule 3.13 of the Listing Rules.

Mr. Li Wan Jun has served as an independent non-executive Director of the Company for more than 9 years in December 2016. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

PERMITTED INDEMNITY PROVISION

During the financial year and up to the date of this Report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors of the Company or its associated companies. The permitted indemnity provisions are provided for in the Articles of Association in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries, was a party and in which a Director and the Director's associates had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

EXECUTIVE DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2016, none of the executive Directors or their respective associates had engaged in or had any interest in any business which, directly or indirectly, competes or may compete with the businesses of the Group.

NON-COMPETITION DEED BY CONTROLLING SHAREHOLDERS

The Company has entered into the non-competition deed dated 8 May 2010 (the "Non-competition Deed") in favour of the Company with Genius Mind Enterprises Limited and its beneficial owner Mr. Li Xin Qing, Great Passion International Limited and its beneficial owner An Wei, Rich Talent Management Limited and Honor Boom Investments Limited and its beneficial owner Mr. Li Xiao Bin, Ms. Ou Yang Fen and Mr. Cui Jian (the "Controlling Shareholders").

Each of the Controlling Shareholders has made an annual declaration in respect of their compliance with the terms of Non-competition Deed.

Details of the Non-competition Deed was set forth under "Non-Competition Deed" in the section headed "Relationship with our Controlling Shareholders" of the initial public offering prospectus of the Company dated 18 May 2010.

The independent non-executive Directors had reviewed and confirmed that the Controlling Shareholders have complied with the Non-competition Deed during the year ended 31 December 2016.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors on a named basis during the year under review are set out in note 11 to the consolidated financial statements.

Details of the five highest paid individuals during the year under review are set out in note 12 to the consolidated financial statements.

REMUNERATION POLICY

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including the Directors). The remuneration policy and remuneration packages of the executive Directors and member of the senior management of the Group are reviewed by the remuneration committee of the Company (the "Remuneration Committee"), which are detailed in the paragraph headed "Remuneration Committee" under the section headed "Corporate Governance Report" of this report.

RETIREMENT BENEFIT SCHEMES

Particulars of the Group's retirement benefit schemes are set out in note 40 to the consolidated financial statements.

DIRECTORS' REPORT

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management as at the date of this annual report are set out on pages 43 to 46 of this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Mode Code") set out in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of existing issued share capital of the Company
Mr. Li Xin Qing	Interest of controlled corporations	205,709,875 *(Note 2)*	22.24%
	Beneficial owner	200,000	0.02%
Mr. An Wei	Interest of controlled corporations	195,869,875 *(Note 3)*	21.17%
	Beneficial owner	400,000	0.04%

Notes:

1. All interests in Shares were long positions.

2. The entire issued share capital of Genius Mind Enterprises Limited ("Genius Mind") is beneficially owned by Li Xin Qing who is deemed to be interested in 197,724,457 Shares held by Genius Mind by virtue of the SFO. In addition, Li Xin Qing is also deemed to be interested in 7,985,418 Shares held by Rich Talent Management Limited ("Rich Talent"), a company which shareholding is owned as to 50% by him, by virtue of the SFO.

3. The entire issued share capital of Great Passion International Limited ("Great Passion") is beneficially owned by An Wei who is deemed to be interested in 187,884,457 Shares held by Great Passion by virtue of the SFO. In addition, Mr. An Wei is also deemed to be interested in 7,985,418 Shares held by Rich Talent, a company which shareholding is owned as to 50% by him, by virtue of the SFO.

DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company nor their associates had any interest or short positions in the shares, underlying shares or debentures of the Company, its specified undertakings or any of its other associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO and the Hong Kong Companies Ordinance (Cap.622), to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2016, as far as known to the Directors, the following persons or entities (not being a Director or a chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of shareholder	**Nature of interest**	**Number of Shares or underlying Shares**	**Approximate percentage of existing issued share capital of the Company**
Ms. Zeng Zhen *(Note 2)*	Interests of spouse	205,909,875	22.26%
Genius Mind *(Note 3)*	Beneficial owner	197,724,457	21.37%
Ms. Yan Kai *(Note 4)*	Interests of spouse	196,269,875	21.22%
Great Passion *(Note 5)*	Beneficial owner	187,884,457	20.31%
Honor Boom *(Note 6)*	Beneficial owner	82,458,117	8.91%
Mr. Li Xiao Bin *(Note 6)*	Interest of controlled corporations	82,458,117	8.91%
Ms. Zhang Lina *(Note 7)*	Interests of spouse	82,458,117	8.91%
Mr. Thomas Pilscheur	Beneficial owner	66,244,818	7.16%
Ms. Feng Yanlin *(Note 8)*	Interests of spouse	66,244,818	7.16%
Broad-Ocean Motor (Hong Kong) Co. Limited *(Note 9)*	Beneficial owner	168,129,613	18.18%
Zhongshan Broad-Ocean Motor Co., Ltd. *(Note 9)*	Interest of controlled corporations	168,129,613	18.18%
Mr. Lu Chuping *(Note 9)*	Interest of controlled corporations	168,129,613	18.18%

DIRECTORS' REPORT

Notes:

1. All interests in Shares were long positions.

2. Ms. Zeng Zhen is the spouse of Mr. Li Xin Qing. Therefore, Ms. Zeng Zhen is deemed to be interested in the Shares in which Mr. Li Xin Qing is interested by virtue of the SFO.

3. The entire issued share capital of Genius Mind is beneficially owned by Mr. Li Xin Qing who is deemed to be interested in the shares held by Genius Mind by virtue of the SFO. Mr. Li Xin Qing is the sole director of Genius Mind.

4. Ms. Yan Kai is the spouse of Mr. An Wei. Therefore, Ms. Yan Kai is deemed to be interested in the Shares in which Mr. An Wei is interested by virtue of the SFO.

5. The entire issued share capital of Great Passion is beneficially owned by Mr. An Wei who is deemed to be interested in the Shares held by Great Passion by virtue of the SFO. Mr. An Wei is the sole director of Great Passion.

6. The issued share capital of Honor Boom is owned as to 40% by Mr. Li Xiao Bin, 30% by Ms. Ou Yang Fen and 30% by Mr. Cui Jian respectively. Therefore, Mr. Li Xiao Bin is deemed to be interested in the 82,458,117 shares held by Honor Boom by virtue of the SFO.

7. Ms. Zhang Lina is the spouse of Mr. Li Xiao Bin. Therefore. Ms. Zhang Lina is deemed to be interested in the Shares in which Mr. Li Xiao Bin is interested by virtue of the SFO.

8. Ms. Feng Yanlin is the spouse of Mr. Thomas Pilscheur. Therefore, Ms. Feng Yanlin is deemed to be interested in the Shares in which Mr. Thomas Pilscheur is interested by virtue of the SFO.

9. The 168,129,613 shares comprise (i) beneficial interest in 84,096,000 shares; and (ii) 84,033,613 shares to be issued upon exercise of conversion rights attaching to the convertible notes (based on the initial conversion price of HK$1.19) pursuant to a subscription agreement between the Company and Broad-Ocean Motor (Hong Kong) Co. Limited. The issue of convertible notes was completed on 29 February 2016. The entire issued share capital of Broad-Ocean Motor (Hong Kong) Co. Limited was owned by Zhongshan Broad-Ocean Motor Co. Ltd, which is in turn 43.82% of its interest was beneficially owned by Mr. Lu Chuping.

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any person (other than directors or the chief executive of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "Share Option Scheme" above, at no time during or at the end of the year was the Company or its subsidiaries a party to any arrangements which enabled the Directors (including their spouses or children under 18 years of age), to acquire benefits by means of acquisition of shares in, debentures of, the Company or any other body corporate.

RELATED PARTY TRANSACTIONS

The related party transactions set out in note 42 to the consolidated financial statements did not fall within the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to the issue of this annual report, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules at any time during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established the audit committee of the Company (the "Audit Committee") on 8 May 2010 with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan. Mr. Li Wan Jun is the chairman of the Audit Committee. The Audit Committee is responsible for reviewing and supervising the Group's financial reporting process and risk management and internal control system and providing advice and recommendations to the Board.

The Audit Committee had reviewed and discussed with the management the accounting principles and practices adopted by the Group and the Group's internal controls and financial reporting matters, including the review of the audited final results of the Group for the year ended 31 December 2016.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 47 to 56 of this annual report.

AUDITOR

The financial statements have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment at the AGM.

AGM

The Company proposed that the AGM will be held on Wednesday, 31 May 2017. This annual report is published on the Company's website (http://www.titans.com.cn) and the Stock Exchange's website (http://www.hkexnews.hk). The notice of the AGM will be despatched to the shareholders of the Company and will be made available on the websites of the Company and the Stock Exchange in due course.

On behalf of the Board

Li Xin Qing
Chairman

Hong Kong, 28 March 2017

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Xin Qing, born in May 1957, is the Chairman, an executive Director and the chairman of the nomination committee of our Company (the "Nomination Committee") and he is one of the substantial shareholders of the Company. Mr. Li is responsible for the overall direction and strategic planning of our Group. Mr. Li obtained a bachelor of engineering degree from Tongji University (同濟大學) in January 1982, majoring in mechanical engineering. He also obtained a second bachelor degree in industrial management and engineering from Tongji University in June 1992, majoring in industrial management and engineering. He joined our Group in September 1992. He has worked in Zhuhai Titans Technology Co., Ltd* (珠海泰坦科技股份有限公司) ("Titans Technology") where he served as vice chairman, general manager and chairman. Mr. Li received the Guangdong Province Scientific and Technological Progress Award (Class 1) for Electric Power Industry (廣東省電子工業科學技術進步一等獎) from Guangdong Province Electric Engineering Industry Department (廣東省電子機械工業廳), a department established by the local government of Guangdong Province and Zhuhai Municipality Scientific and Technological Progress Award (Class 1) (珠海市科學技術進步獎一等獎) from Zhuhai Municipality Scientific and Technological Progress Qualification Committee (珠海市科學技術進步獎評審委員會) established by the local government of Zhuhai Municipality (珠海市政府) for his participation in the research and development of the "high frequency switch power source for communications SMP-R1022FC" (通訊用高頻開關電源項目SMP-R1022FC) project in 1998. The Scientific and Technological Award was awarded on the basis that the invention or development in science and technology was considered creative and contributing to the development and improvement of the current science and technology and thus generating economic and social value. Since the Group's establishment, Mr. Li has played an active role in the Group's development, including research and development of our products and formulating the business strategies of our Group and has accumulated his knowledge and experience with the development of our Group. Mr. Li was appointed an executive Director on 16 November 2007. At present, Mr. Li is also a director of Titans BVI Limited, Grace Technology Development Limited and Titans Holdings Co., Limited, the president of Titans Technology and Zhuhai Titans Power Electronics Company Limited* (珠海泰坦電子電力集團有限公司) ("Titans Power") and an executive director and the legal representative of Zhuhai Titans New Energy System Co., Ltd.* (珠海泰坦新能源系統有限公司), the above of which are subsidiaries of the Company. Mr. Li and Mr. An Wei, another executive Director of the Company, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares.

Mr. An Wei, born in October 1956, is an executive Director and the Chief Executive Officer of our Company and he is one of the substantial shareholders of the Company. Mr. An is responsible for the overall operation and management of our Group. Mr. An graduated from the post-graduate class of management engineering department in Tongji University (同濟大學) in July 1986 and obtained his doctorate degree in science management and engineering from Tongji University in November 2005. Mr. An was also accredited as a senior economist (高級經濟師) by the Title Reform Leading Group Office of Hebei Province in the PRC in August 1997. With his doctorate degree majoring in management and over 10 years of experience in the Group, Mr. An has acquired a variety of skills and extensive experiences in management. Mr. An joined the Group in September 1992 as a director of Titans Technology. He has been the general manager of Titans Technology since July 1998. He is the current vice chairman of Guangdong Province Private Enterprises Association (廣東省私營企業協會副會長), and a director of China EV100. Mr. An was appointed as an executive Director on 16 November 2007. At present, Mr. An is also a director of Titans BVI Limited, Grace Technology Development Limited, Titans Holdings Co., Limited, Titans Power and Titans Technology and a director and legal representative of Auhui Titans Liancheng Energy Technology Co., Ltd.* (安徽泰坦聯成能源技術有限公司), the above of which all are subsidiaries of the Company. Mr. An and Mr. Li Xin Qing, another executive Director of the Company, each holds 50% shareholding in Rich Talent Management Limited, which in turn holds 7,985,418 Shares.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Wan Jun, born in September 1968, was appointed as an independent non-executive Director on 17 December 2007. He is a member of the Remuneration Committee and the chairman of the Audit Committee. Mr. Li was appointed as an independent non-executive Director on 17 December 2007. Mr. Li has over 10 years of experience in accounting and auditing. He obtained a bachelor degree of economics from the University of Wuhan (武漢大學) in 1990. Mr. Li is a non-practising member of the Zhuhai Institute of Certified Public Accountants (珠海市註冊會計師協會) and was admitted as a member of the Association of Chartered Certified Accountants in June 2007. Mr. Li has not held any other positions with any member of our Group. From 1996 to 2000, Mr. Li worked in the finance department of Zhu Kuan Group Co. Ltd. of Macau* (澳門珠光集團有限公司). From 2001 to 2007, Mr. Li worked as vice manager in the finance department and audit department of Zhu Kuan Group Holdings Co. Ltd. of Zhuhai City* (珠海市珠光集團控股有限公司) ("Zhu Kuan Group"). Since 2008, Mr. Li has been a financial controller of subsidiaries of the same company. Zhu Kuan Group through its subsidiaries, was the parent company of Zhu Kuan Development Co. Ltd. ("ZKD") (stock code 908) (currently known as Zhuhai Holdings Investment Group Limited) when the shares of ZKD were listed on the Main Board of the Stock Exchange in 1999 and ceased to be the parent company of ZKD in December 2004. During such period, Mr. Li was involved in, among other things, internal control and internal audit of Zhu Kuan Group and its subsidiaries (including ZKD and its subsidiaries prior to Zhu Kuan Group).

Mr. Li Wan Jun has served as an independent non-executive Director of the Company for more than 9 years in December 2016. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

Mr. Zhang Bo, born in October 1962, was appointed as an independent non-executive Director on 15 April 2013. Mr. Zhang is a respective member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Zhang has not held any other positions with any member of our Group. Mr. Zhang graduated from Zhejiang University (浙江大學) with a bachelor degree in electro-mechanics (電機專業) in 1982. Mr. Zhang then obtained a master degree in mechanical engineering in 1988 (機械工程) from Southwest Jiaotong University (西南交通大學) and a doctoral degree in electric power and electronic technique (電力電子技術) in 1994 from Nanjing University of Aeronautics and Astronautics (南京航空航天大學). From 2000 to present, Mr. Zhang has served as a professor and a PhD supervisor in the School of Electric Power of South China University of Technology (華南理工大學電力學院), responsible for research and laboratory management. In October 2016, Mr. Zhang was appointed as an independent director of Shenzhen Megmeet Electronic Co. Ltd ("Megmeet"). Megmeet was listed on Shenzhen Stock Exchange on 6 March 2017 (Stock code: 002851). In 2011, Mr. Zhang was awarded an Award Class II of Science and Technology in the Technical Invention Group (科學技術獎技術發明類二等獎) by the China Power Supply Society (中國電源學會) for his "Method and Application of Topological Structuring based on the Theory of TRIZ in Switch-mode Power Converters" (基於TRIZ理論的開關電源變換器拓撲構造方法及應用). In 2012, he was further awarded an Award Class II of the Guangdong Provincial Science and Technology (廣東省科學技術進步獎) for his "High Performance Power Supply Switching Soft Technique and Application" (高性能開關電源的柔性技術及應用).

Mr. Pang Zhan, born in October 1978, was appointed as an independent non-executive Director on 16 April 2015. He graduated from Nanjing University (南京大學) with a bachelor of science degree in mathematics in June 2001. He further obtained his master degree in science from Nanjing University in June 2004. In December 2007, he obtained his PhD in systems engineering and engineering management from the Chinese University of Hong Kong (香港中文大學). After graduation, Mr. Pang has been a postdoctoral research fellow in University of Calgary (卡爾加里大學), University of Cambridge (劍橋大學) and University of Toronto (多倫多大學). Since 2010, he has been a lecturer in the Department of Management Science in the Lancaster University (蘭卡斯特大學). He was then promoted to the position of senior lecturer (associate professor) in August 2014. He is also an adjunct professor in Norwegian School of Economics (挪威經濟學院) (since January 2014) and a visiting associate professor in the City University of Hong Kong (香港城市大學) (since October 2014 until May 2015). Mr. Pang's major research areas include supply chain and operations management, risk management, pricing and revenue management, big data and business analytics and optimization, etc. He has also conducted research on the renewable energy and energy storage system design and modelling in smart grid environments, and business models of electric vehicles. Mr. Pang has published multiple papers in leading international journals in the field of operations management and operations research.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Li Xiao Bin, born in January 1962, is a senior engineer. He obtained a bachelor degree from Hefei United University (合肥聯合大學) in 1984 and a master degree from Institute of Plasma Physics of Chinese Academy of Sciences in 1990. Mr. Li Xiao Bin worked as an engineer for three years with the Plasma Physics Laboratory of the Chinese Academy of Sciences from 1990 to 1993. Mr. Li Xiao Bin joined our Group in 1993, and he is currently a director of Titans Holdings Co., Limited, Titans Power and Titans Technology. Mr. Li Xiao Bin received the "Certificate for Outstanding Technology Improvement* (科學技術進步獎) " from the Chinese Academy of Sciences (中國科學院). Mr. Li Xiao Bin is interested in the 40% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Ms. Ou Yang Fen, born in December 1965, is an accountant, certified tax agent and vice president of the Group, responsible for the financial affairs of our Group. Ms. Ou Yang Fen graduated from Guangdong Radio & TV University (廣東廣播電視大學) in 1998 majoring in finance. Ms. Ou Yang obtained the accounting qualification from the Ministry of Finance (財政部) in 1997. She has been working in the field of accounting and held positions as accountant in various companies. Since the establishment of Titans Technology in September 1992, she served as our company accountant, finance manager, deputy general manager successively. She is currently general manager of the financial centre of the Group. Ms. Ou is interested in the 30% issued share capital of Honor Boom, a company which holds approximately 8.91% of the issued share capital of our Company.

Mr. Chen Xiang Jun, born in September 1968, holds a master degree in business administration. He obtained a bachelor degree of mathematics from Nankai University (南開大學) in 1990. Mr. Chen obtained an Executive Master of Business Administration degree from Tongji University (同濟大學) in 2016. Mr. Chen joined Titans Technology in March 2001. Mr. Chen is currently the president of Titans Power, a wholly-owned subsidiary of our Company. Mr. Chen is mainly responsible for the operation management and capital operation related matters.

Mr. Fu Yulong, born in January 1964, holds a master degree in business administration. Mr. Fu graduated from Zhengzhou University (鄭州大學) in 1994 and obtained a master degree of business administration from The Hong Kong Polytechnic University in 2007. Previously, he worked with a steel company in Wu Yang for more than 10 years. He joined our Group in May 2003. He is currently the legal representative and executive director of Zhuhai Titans Energy Storage Technology Co., Ltd.* (珠海泰坦儲能科技有限公司), a wholly-owned subsidiary of our Company.

Mr. Li Zhen Hua, born in February 1958, obtained a bachelor degree in economics from Xiamen University in 1983 and registered as an accountant in the PRC in 1992. Mr. Li Zhen Hua joined our Group in September 2009 as our Financial Controller. Mr. Li is experienced in financial and organisation management. Before he joined our Group, Mr. Li Zhen Hua was the finance manager of Hua Fu Hong Kong Company (華福香港公司), a subsidiary of Fujian Investment & Enterprise Holdings Corporation (福建投資企業集團公司) in Hong Kong from 1983 to 1996, and was the general manager of Yunnan Long Chuan Xian Min Hong Shui Dian Company Limited* (雲南隴川縣閩宏水電有限責任公司) from 2005 to 2008.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Hui, born in July 1969, graduated from the Department of Electrical Engineering of Tongji University (同濟大學) in 1992 and obtained his bachelor degree in engineering. Mr. Wang worked at Zhuhai Titans Computer Systems Co., Ltd.* (珠海泰坦計算機系統有限公司) (predecessor of Titans Technology) from 1993 to 1998. From 1998 to 2011, Mr. Wang Hui worked at Zhuhai Watt Electrical Equipment Co., Ltd.* (珠海瓦特電力設備有限公司), Zhuhai Suns Test Equipment Co., Ltd.* (珠海三思試驗設備有限公司), Zhuhai Huawei Electrical Equipment Co., Ltd.* (珠海華偉電氣設備有限公司), etc. as deputy general manager and general manager. Mr. Wang has proven management and operation experience with electrical and electronic companies. In March 2011, Mr. Wang rejoined our Group and served as general manager of Titans Technology, a wholly-owned subsidiary of the Company.

Mr. Chen Hao, born in December 1977, graduated from Peking University in 1996, majoring in international economics. In 2012, he graduated from The Hong Kong Polytechnic University and obtained his master degree in quality management. Mr. Chen Hao later worked with Qingdao Kerry Vegetable Oil Co., Ltd.* (青島嘉里植物油有限公司), Shenzhen Quality Accreditation Centre* (深圳質量認證中心), etc. Mr. Chen is also a registered senior auditor of international quality and environmental standards, and a registered auditor of international vocational health and safety standard. Mr. Chen joined our Group in 2014 and he currently serves as chairman and legal representative of Zhuhai Yilian, a subsidiary of our Company.

Mr. Liu Jun, born in December 1979, graduated from North China University of Water Resources and Electric Power (華北水利水電學院) and obtained his bachelor degree in engineering in 2003, and graduated from Beijing Jiaotong University (北京交通大學) and obtained his master degree in engineering in 2015. Shortly after his graduation, Mr. Liu joined our Group and served as sales manager and project manager. From October 2007, he served as standing deputy general manager of Ruckus New Energy Technology Co., Ltd.* (優科新能源科技有限公司). After years of working in new energy vehicle charging sector, he has rich experience in sales and management. Mr. Liu currently works as director and general manager of Zhuhai Yilian, a subsidiary of our Company.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

We are committed to ensuring high standards of corporate governance at all times and in all aspects of its operations. The Board believes that good corporate governance is an essential element in enhancing the confidence of current and potential shareholders, investors, employees, business partners and the community as a whole. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the statutory and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

The Company has adopted the code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules. The Board regularly reviews the Company's corporate governance guidelines and developments. The Company has complied with all the applicable Code Provisions throughout the year ended 31 December 2016.

THE BOARD

During the reporting period, the Board comprises two executive Directors and three independent non-executive Directors. Detailed biographies outlining each Director's scope of specialist experience are set out on pages 43 to 46 of this annual report. The biographies of the Directors are set out in the section headed "Biography of Directors and Senior Management" of this annual report.

The composition of the Board and members' attendance of the Board meetings and the Board committees' meetings for the year 2016 were as follows:

	Number of meetings attended/held			
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors				
Mr. Li Xin Qing *(Chairman)*	4/4	N/A	N/A	2/2
Mr. An Wei *(Chief Executive Officer)*	4/4	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Li Wan Jun	4/4	2/2	1/1	N/A
Mr. Zhang Bo	4/4	2/2	1/1	2/2
Mr. Pang Zhan	4/4	2/2	1/1	2/2

CORPORATE GOVERNANCE REPORT

In addition, during the year, the chairman of the Board ("Chairman") held one meeting with the independent non-executive Directors without the other executive Director present.

During the reporting period, the Directors had devoted sufficient time to perform their duties on relevant matters under each of his respective responsibilities.

During the reporting period, Mr. Li Xin Qing, an executive Director of the Company, and Mr. An Wei, another executive Director of the Company, respectively continue to be the Chairman and the Chief Executive Officer. During the reporting period, the roles and duties of the Chairman and Chief Executive Officer of the Company have been separately undertaken by different officers.

Mr. Li Xin Qing, the Chairman, is responsible for the leadership of the Board, assignment of responsibilities among members of the Board, and maintaining the proper conduct and proceedings of meetings of the Board and the Shareholders, and overseeing the Group's overall direction and strategic planning. In addition, the Chairman also plays a key role in encouraging all the Directors to actively contribute to the Board affairs and establishing good corporate governance practices and procedures.

Mr. An Wei, the Chief Executive Officer, is responsible for managing the business and affairs of the Company, recommending and implementing strategic, business and operating plans, directing and overseeing the activities of the Group, developing and implementing operational policies under the strategic directions adopted by the Board, developing and recommending organizational structure, and ensuring that the Board has the required information to fulfill its duties.

The day-to-day operations of the Group are delegated to the management with department heads being responsible for different aspects of the business and functions. The independent non-executive Directors serve the relevant functions of making independent judgment on the development, performance and risk management of the Group through their contributions in Board meetings. In particular, the independent non-executive Directors bring an impartial view on issues related to the Group's strategy and internal control. All the independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. All of the independent non-executive Directors are appointed for a term of three years and are subject to retirement by rotation and re-election in accordance with the Articles of Association.

The Board considers that each of independent non-executive Director is independent in his role and judgment, and has no financial or other interest in the businesses of the Group or connection with the Company's connected persons (as defined in the Listing Rules). The Company has received from each of the independent non-executive Directors a written confirmation in which each of them had confirmed to be in compliance with the independence requirements as set out under the Rule 3.13 of the Listing Rules.

Mr. Li Wan Jun has served as an independent non-executive Director of the Company for more than 9 years in December 2016. During his years of appointment, Mr. Li Wan Jun has demonstrated his ability to provide an independent view to the Company's matters. Notwithstanding his years of service as independent non-executive Director, the Board is of the view that Mr. Li Wan Jun is able to continue to fulfill his role as required.

Save as disclosed in the biographies of the Directors as set out under the section headed "Biography of Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other Director.

The Company has maintained appropriate insurance coverage for the Directors' and executive officers' liabilities arising from the Group's business. The coverage is reviewed by the management on an annual basis.

CORPORATE GOVERNANCE REPORT

The Board is responsible for the corporation governance function as a whole, and establishes an internal control group to be responsible for the specific operation. During the reporting period, the Board had performed the following duties:

1. Developing and reviewing relevant corporate governance policy and practice of the Company.

2. Reviewing and inspecting continuous professional development and training of the Directors and senior management.

3. Reviewing and monitoring the policies and practices of the Company being in compliance with the statutory and other regulatory provisions.

4. Developing, reviewing and checking code and provision of conducts applicable to the Directors and employees.

5. Reviewing that the Company being in compliance with the code and corporate governance reporting requirements.

BOARD MEETINGS

Four Board meetings were held during the year 2016. Attendance of the Board members in the meetings is listed out on page 47 of this report. Regular Board meetings were held at least once every quarter.

The Board ensures that its members are supplied, in a timely manner, with all necessary information in a form and of a quality appropriate to enable the Directors to discharge their duties. All the Board meetings adhere to a formal agenda in which a schedule of matters is specifically addressed to the Board for its decision.

The minutes of the Board meetings recorded all the details of the matters considered by the Board and the decisions reached, including any concerns raised by Directors or dissenting views expressed. Minutes of the Board meetings are kept and available for inspection by all Directors at the Group's office.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Shareholders in general meeting, or the Board upon recommendation of the Nomination Committee, can appoint any person as the Director anytime. Directors who are appointed to fill a casual vacancy, if any, are subject to election by Shareholders at the first general meeting after their appointment and such election is separate from the normal retirement of Directors by rotation. In accordance with the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one third, shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

ROLES OF THE BOARD

The Board decides on corporate strategies, approves overall business plans, and supervises the Group's financial performance, management and organisation on behalf of the Shareholders. Specific tasks that the Board delegates to the Group's management include preparing annual and interim financial statements for the Board's approval, implementing strategies approved by the Board, monitoring the operating budgets, implementing internal controls procedures, and ensuring compliance with relevant statutory requirements and other rules and regulations.

CORPORATE GOVERNANCE REPORT

At the Board meeting held on 30 June 2011, a resolution was passed to allow the Directors who were performing their duties to seek independent professional advice in appropriate circumstances at the Company's expense. All the Directors are encouraged to discuss with the Chairman regarding any additional information or training they may require to discharge their duties more effectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules regarding directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirm that they have complied with the required standard of the Model Code during the year ended 31 December 2016.

TRAINING AND SUPPORT FOR DIRECTORS

All the Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. In addition, during the year, the Company provided all members of the Board with monthly updates on the Company's performance, financial position and prospects.

During the reporting period, the Directors had participated in continuous professional development and refreshed their knowledge and skills in the following manner.

	Update on corporate governance, ordinance, regulation and provision	**Accounting, finance, management and other professional technique**	
	Reading publications	**Reading publications**	**Attending seminar and/or briefing session**
Executive Directors			
Mr. Li Xin Qing *(Chairman)*	✓	✓	✓
Mr. An Wei *(Chief Executive Officer)*	✓	✓	✓
Independent Non-executive Directors			
Mr. Li Wan Jun	✓	✓	✓
Mr. Zhang Bo	✓	✓	✓
Mr. Pang Zhan	✓	✓	✓

CORPORATE GOVERNANCE REPORT

NON-EXECUTIVE DIRECTORS

The independent non-executive Directors of the Company are Mr. Zhang Bo, Mr. Li Wan Jun and Mr. Pang Zhan. Mr. Zhang Bo has signed a letter of appointment for a term of three years commencing from 15 April 2016 with the Company and Mr. Li Wan Jun has signed a letter of appointment for a term of three years while commencing from the Commencement Date with the Company and Mr. Pang Zhan has signed a letter of appointment for a term of three years commencing from 16 April 2015. Under the letters of appointment, they agreed to act as independent non-executive Director for a period of three years unless terminated in accordance with the terms of the letter of appointment. Under the said appointment letters, either party may terminate the agreement at any time by giving to the other not less than three months' prior written notice. The monthly director's fee for an independent non-executive Director is HK$10,000.

BOARD COMMITTEES

The Board has established three committees to oversee particular aspects of the Group's affairs. The views of different committees and their recommendation not only ensure proper control of the Group but also its continual achievement of the high corporate governance standards expected of a listed company.

COMPANY SECRETARY

The Company has engaged Ms. Li Oi Lai, the manager of SW Corporate Services Group Limited, a corporate service provider, as its company secretary. The primary corporate contact person at the Company is Mr. Chen Xiang Jun, the vice president of the corporate development centre of the Group.

In compliance with Rule 3.29 of the Listing Rules, Ms. Li has undertaken not less than 15 hours of relevant professional training during the year ended 31 December 2016.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Audit Committee

The primary duties of the Audit Committee are to review and supervise the preparation of annual reports, the interim reports and financial statements of the Company and to provide advice and recommendations to the Board. In doing so, members of the Audit Committee will communicate with the Board, the senior management, the reporting accountants and/or the auditors of our Company. The Audit Committee will also consider whether there are any material or general matters which are, or may be, necessary to be reflected in such reports and financial statements, and will consider matters raised by our auditors. Members of the Audit Committee are also responsible for reviewing the financial reporting process and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan and is chaired by Mr. Li Wan Jun. The main roles and responsibilities of the Audit Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Audit Committee held two meetings in 2016 to review the final results of the Group for the year ended 31 December 2015 and the interim results of the Group for the six months ended 30 June 2016, and to conduct other affairs. The Audit Committee has reviewed with the management and the Group's external auditor, SHINEWING (HK) CPA Limited ("SHINEWING"), the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. Apart from considering the issues arisen from the audit process, the Audit Committee also discussed matters raised by the external auditor. The Audit Committee reviewed with the management on the Company's financial controls, internal control systems, risk management system, and the accounting principles and practices adopted by the Group. All issues reported by the external auditor are monitored closely by the Group's senior management. During the year under review, the fees paid by the Company to SHINEWING were as follows:

	HK$'000
Audit fees	950
Non-audit service fees	220

The Audit Committee has concluded that it is satisfied with the findings of its review of the audit and non-audit service fees, process and effectiveness, and independence and objectivity of SHINEWING. The Audit Committee will therefore recommend to the Board that SHINEWING be re-appointed as the Group's external auditor at the annual general meeting of the Company in 2016.

Remuneration Committee

The Company has established the Remuneration Committee which is responsible for, among other things, considering and making recommendations to the Board on the remuneration packages of the respective Director and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by the Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. The Remuneration Committee is also responsible to approve the grant of share options under the share option scheme of the Company. Such share options are granted based on individual employee's performance and the achievement of certain goals that are consistent with the Group's objective of maximising long-term value for the Shareholders.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee comprises three independent non-executive Directors, namely Mr. Li Wan Jun, Mr. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Zhang Bo. The main roles and responsibilities of the Remuneration Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Remuneration Committee held one meeting in 2016.

Details of each Director's emoluments are set out in note 11 to the consolidated financial statements in this annual report. The primary objective of the Group's remuneration policy is to retain and motivate executive Directors by linking their compensation to the Company's performance and evaluating their compensation against corporate goals, so that the interests of the executive Directors and the senior management team are aligned with those of our shareholders. The remuneration policy of the Directors is decided by the Remuneration Committee, having regard to the Company's operating results, individual's duties and responsibilities with the Group and comparable market practice. No Director can, however, approve his own remuneration.

For the year ended 31 December 2016, the annual salary of the senior management of the Company ranges from RMB181,000 to RMB346,000.

During the reporting period, the Remuneration Committee had performed duties as follows:

1. Reviewing and making recommendation to the Board on the remuneration policy and structure of the Company for the Directors.

2. Reviewing and making recommendation to the Board on the prevailing remuneration packages of Directors.

3. Reviewing scope and authority of the Remuneration Committee.

Nomination Committee

We have established the Nomination Committee which is responsible for considering and recommending to the Board on appointment of Directors and management of the succession of the Board. The Nomination Committee comprises three members, namely Mr. Li Xin Qing, Mr. Zhang Bo and Mr. Pang Zhan, and is chaired by Mr. Li Xin Qing. The main roles and responsibilities of the Nomination Committee are set out by the Board with clearly defined written terms of reference which are available on the websites of the Stock Exchange and the Company. The Nomination Committee reports to the Board and makes recommendations regarding the appointment of Directors, its evaluation of the Board's composition, and the management of Board succession with references endorsed by the Board itself.

To enhance the efficiency of the Board and corporate governance standard of the Company, the Board maintains a balanced mix of the executive Directors and the independent non-executive Directors so that the Board is highly independent and is able to make independent judgements efficiently. In selecting candidates, a diversified perspective, including but not limited to the age, cultural and education background, professional and industry experience, skills, knowledge, race and other qualifications that are essential to the business of the Company, will be applied so that the candidate can bring advantage and make contribution to the Board. The Nomination Committee will review such measurable on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval. The Nomination Committee held two meetings in 2016.

CORPORATE GOVERNANCE REPORT

During the reporting period, the Nomination Committee had performed duties generally as follows:

1. Reviewing the structure, size and composition of the Board (including technique, knowledge, experience and year of service of Directors) and assessing the independence of independent non-executive directors.

2. Reviewing scope and authority of the Nomination Committee.

RISK MANAGEMENT AND INTERNAL CONTROL, INTERNAL AUDIT AND FINANCIAL REPORTING

The Board acknowledges its responsibility for the risk management and internal control systems of the Group and reviews the effectiveness of such systems through the Audit Committee. The risk management and internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material adverse changes or losses.

The Audit Committee assists the Board in fulfilling its oversight and corporate governance roles. The Management establishes risk management policies and internal control procedures to be implemented by each business unit so as to identify, evaluate and manage risks. The internal audit department of the Company reviews significant internal control scopes of the Group, including operation, compliance, risk management and internal control, etc. and reports such results to the Audit Committee annually.

During the fourth quarter of 2016, the internal audit team commenced and finalised evaluation of the Group's internal controls, particularly a comprehensive evaluation and audit was conducted for the management of tenders, contracts and investments. Various methods including but not limited to interview, conformance test, walk-through test and sample test were adopted during the process of evaluation to analyse and identify whether there were any defect existed in the design of internal control and the effectiveness of the implementation of internal controls. Such internal audit recorded detailed information of the contents and elements of evaluation conducted, controls adopted, relevant data and results of evaluation.

The internal audit team of the Company has submitted an audit report on internal controls to the Audit Committee to report its audit results and make recommendation on the improvement of insufficiency and omission it discovered. The Board, through the Audit Committee, has made an annual review in relation to the effectiveness of the Group's risk management and internal control systems, covering aspects of finance, operation, compliance, risk management and internal controls of the Company. During the reporting period, the Board didn't identify any material internal control defect and consider the Group's risk management and internal control systems effective and adequate. The Board believes the risk management and internal control management to be an on-going process of monitoring and improvement.

The Company has established policies on disclosure of inside information. The Company regularly reminds its directors and employees to properly comply relevant procedures of handling and dissemination of inside information, and implements internal controls over it.

CORPORATE GOVERNANCE REPORT

The Directors acknowledged their responsibility for preparation of the consolidated financial statements, which give a true and fair view of the Group's consolidated financial position, consolidated comprehensive income, consolidated changes in equity and consolidated cash flows for the year. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The external auditor of the Group, SHINEWING, has the responsibility to express an opinion on the Group's consolidated financial statements according to the results of its audit and report its opinion solely to the Company. SHINEWING conducted its audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that SHINEWING comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Group's consolidated financial statements are free from material misstatement. The Independent Auditor's Report on pages 70 to 77 of this annual report also sets out the responsibilities of SHINEWING.

CODE OF CONDUCT AND BUSINESS ETHICS

Each Director has a duty and responsibility to act honestly and with due diligence and care when carrying out his duties on behalf of the Company. Each Director shall attend regular training session organized by the Company's legal advisers in Hong Kong regarding the various requirements in the Listing Rules and other usual laws and requirements applicable to companies listed in Hong Kong.

DIRECTORS' INTERESTS

Full details of individual Director's interests in the shares and share options of the Company are set out in the Directors' Report on pages 39 to 41 of this annual report.

OPEN COMMUNICATION

The Company is committed to acting in good faith and in the best interests of the Shareholders at all times and in all areas of its operations. The Company actively promotes open communication and full disclosure of all information needed to protect and maximise returns for the Shareholders.

COMMUNICATION WITH SHAREHOLDERS

Effective communication with the Shareholders has always been one of the Company's priorities. The various channels by which the Company communicates with the Shareholders include interim and annual reports, the Company's websites, and general investor meetings held either face-to-face or via telephone conference calls. The Company reports to the Shareholders twice a year and maintains a regular contact with investors. Interim and annual results are announced as early as possible to keep the Shareholders informed of the Group's performance and operations in a timely manner. The publication of the Group's financial results on a half-yearly basis enhances transparency regarding its performance and ensures that details of new developments affecting the Group are made available in a timely manner. An annual general meeting will be held in each year, and all Shareholders are encouraged to attend the annual general meeting to discuss the development of the Group's businesses.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

The Articles of Association states that Shareholders holding not less than one-tenth of the Group's paid-up capital carrying voting rights shall at all times have the right to requisition an extraordinary general meeting to discuss specified business transactions. To request the convening of a meeting, individuals must send a written notice to the Company's principal place of business in the PRC at least 21 days before the proposed date of the meeting. This procedure also applies to any proposals to be tabled at shareholders' meetings for adoption.

VOTING RIGHTS

In accordance with the Listing Rules, any votes of the Shareholders at the Company's general meetings must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural of administrative matter to be voted on by a show of hands. The results of shareholders' meetings are reported to the public via announcements submitted to the Stock Exchange's website and the Company's website. Shareholders who wish to exercise their rights to vote by proxy may do so upon presentation of a written and dated instrument appointing their proxy. The notice convening each shareholders' meeting includes a proxy form which appoints the Board as proxy for each specific proposal. All Shareholders are welcome to ask questions or present proposals for discussion at these meetings.

INVESTOR RELATIONS

The Group regards open communication with both existing and potential investors as being vital to its sustained success. To this end, the Group insists on full, honest, equal and timely disclosure of all essential information regarding its business to the investment community. The Group is committed to transparent communication and is determined to maintain close ties with the investment community. The Group's corporate website also provides an effective communication platform where the public and investor community have fast and easy access to up-to-date information regarding the Group. Enquiries, comments and suggestions are welcome and can be addressed to Investor Relations Department of the Company by mail to the Group's principal place of business in the PRC or by email to the Company at IR@titans.com.cn. Enquiries, comments and suggestions raised in either or both of these manners are then subject to the attention, review and/or reply by the Board or the relevant department(s).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. ESG REPORT

China Titans Energy Technology Group Co., Ltd. ("the Company") and its subsidiaries (collectively the "Group" or "We") are pleased to announce the Group's first environmental, social and governance report ("ESG Report"). The Group is fully committed to the philosophy of sustainable development in all its businesses and operations to promote social prosperity and stability and enhance sustainable development. We attach great importance to social responsibility and integrity, always take stakeholders' needs into our first consideration. The report specifies the work of the Group in support of the principles of sustainable development in 2016 and its performance in social governance. For corporate governance, please refer to the Corporate Governance Report on pages 47 to 56.

1.1. Scope of the Report

The ESG Report covers the environmental and social policies of the Group's principal subsidiaries, including Zhuhai Titans Power Electronics Group Co., Ltd., Zhuhai Yilian New Energy Motors Co., Ltd. and Zhuhai Titans Technology Co., Ltd. The Group will continue to review environmental and social performance and consider including more business in the ESG report in the coming year.

The period of the ESG report is consistent with the financial statements of the Group, i.e. from 1 January 2016 to 31 December 2016.

1.2. Reporting Guidelines

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

1.3. Stakeholder Participation

Colleagues from various department jointly participated the preparation of the ESG Report, making us be clearer about our current level in environmental and social development. The information we have collected is not only a summary of the Group's environmental and social work in 2016, but also our basis to set up strategy for sustainable development in short term and long term. The Group will involve more stakeholders' participation in the future in the hope that they can provide valuable and constructive comments and suggestions on our development.

1.4. Information and Feedback

For details of the Company's environment and corporate governance, please refer to the Group's official website (http://www.titans.com.cn/) and this annual report. We will take your opinion on this report seriously. If you have any comments or suggestions, please send us an email to IR@titans.com.cn.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2. ABOUT US

The Group was established in 1992 and listed on the Main Board of the Stock Exchange in 2010 (stock code: 2188). The Group's principal businesses include direct current power system products (the "DC Power System" or "electrical DC products"), production of charging equipment for electric vehicles and provision of charging services for electric vehicles. The Group not only provides high-quality, reliable and multi-variety of charging, discharging and storage products, power quality monitoring and optimization systems and power battery maintenance management products and technologies, but also provides users with a variety of power electronic products and technology integrative solutions, to meet the demands for high quality, efficient and diversified applications of electric energy.

The Group believes that management is the permanent theme of an enterprise, and corporate culture is the "multiplier" to exert the effectiveness of enterprise resources. Sound management is built in culture and resulting in top quality, by which we enjoy harvest and create this business. We have never stopped thinking and practicing the corporate culture and have determined "culture-driven management, culture development through management" as our corporate culture development policy, to create an culture that can make the development strategy adapt to resources and enhance the Group to develop in a healthy and harmonious way.

Our mission is to make electricity more valuable. We will make constant efforts to have more electricity uses, better energy applications, wider energy sources and better power quality. We regard integrity, orderliness, high quality, efficiency and innovation as our business philosophy. We believe that integrity wins the support, orderliness creates harmony, high-quality establishes a brand, efficiency creates value and innovation develops our future. To carry out our business philosophy, the Group takes "customer-oriented, product first, innovation-based and integrity" as our management policy, and regards four "T" (Talent – talent-oriented, Trust – trustworthy, Team – team spirit, and Technology – technology innovation) as the cornerstone of our culture. We hope to become an excellent power electronics company, with excellent staff team, and outstanding management, to provide quality products and services, create value efficiently, achieve the leading position in the industry, and create value for the enterprise, employees, customers, partners and the society.

3. ENVIRONMENTAL PROTECTION INDUSTRY

As an environmental friendly company, we are committed to making electricity more valuable and working together to deal with the Earth's environmental problems and aiming at the goal of "sustainable development". We have been promoting the development of electric vehicles in an effort to improve the air quality on roads and reduce the emissions of greenhouse gas. Over the years, we have been implementing the Group's "customer-oriented and product first" management policy in the entire production process, product sales and after-sales service. To meet customer's needs is our foothold in the achievements of mutual benefit and win-win situation. Products and services are the touchstones to test our culture. Our efforts will lose value if they cannot be recognized by customers. Therefore, we not only pay attention to product quality and safety, but also take customer's feedback seriously. In carrying out our business, the Group has been in strict compliance with relevant laws and regulations such as the Advertising Law of the PRC (中華人民共和國廣告法), the Patent Law of the PRC (中華人民共和國專利法) and the Trademark Law of the PRC (中華人民共和國商標法).

3.1. Green Products

Air pollution problems are detrimental to health and discomfort people. It is a matter that deserves the concern of everyone. One of the major sources of air pollution is the exhaust gas of fuel vehicles. Over the years, the Group has been vigorously developing electric vehicle charging business, and continuously expanding and improving electric vehicle charging network to support the development of electric vehicles. The Group is also actively involved in China EV100 and the alliance organized by Ministry of Industry and Information Technology of the People's Republic of China to promote the development of the entire electric vehicle industry. Electric vehicles rely entirely on power motor as power source to replace the traditional internal combustion engine and fuel tank configuration. Electric vehicles drive without burning gasoline, so produce zero emission during usage, which can not only alleviate air pollution problems, but also more effectively reduce greenhouse gas emissions. In addition to non-pollutant emissions and high efficiency, electric vehicles can effectively use 75% or more of the energy in battery, while diesel vehicles can only effectively use about 20% of the chemical energy in petroleum. We have also adopted electric vehicles as some of our company vehicles, with a view to alleviating air pollution.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1.1. Promote Electric Vehicle Experience

The doubt about the benefits and convenience of electric vehicles is one of the factors that hinder the development of electric vehicles. In view of this, the Group has developed a mobile phone application "Safe Travel" for periodic leasing electric vehicle. This mobile phone application allows more people to experience the convenience of using electric vehicles and provide more convenient, environmentally friendly and efficient one-stop self-service electric vehicle rental service. Users may rent electric vehicles at any time through the "Safe Travel". This application provides self-service and increases the opportunities for the public to access to electric vehicles. In addition to developing mobile application mode, we have started to operate the electric vehicle experiential studio in Zhuhai, Guangdong Province, so that the public can experience the pleasure of driving electric vehicles and feel the convenience of electric vehicle charging service. We also publicize the effectiveness of electric vehicles and sell different types of electric vehicles produced by different manufacturers through the experiential studio. We also compare our electric vehicles with the gasoline vehicles of same performance, and conclude based on objective analysis that electric vehicles can not only improve air quality, but also save money for users, providing the economic incentive for users to use electric vehicles.

3.1.2. Develop Diversified Charging Equipment

In order to promote the application of electric vehicles, the Group will study different types of charging equipment according to different types of vehicles and operational needs. The charging equipment we have developed can be used not only for electric private cars, electric buses, but also for specific vehicles, such as logistics vehicles, commuters and so on. We also provide different charging equipment according to different operational needs. For example, in the construction of Changchun-Shenzhen Expressway charging stations, we provided the charging equipment that features short charging time and high power and that is capable of supporting various models, based on and taking into account the needs of electric vehicles served by the expressway charging stations. In addition, in the construction of Guangxi High-tech Zone West charging station, we provided the multi-purpose charging equipment that features both fast charging and slow one-to-many bus charging, with high equipment utilization, security and stability, based on and taking into account that buses need fast charging in daytime, while a large number of buses need charging at night.

3.1.3. Establish Electric Vehicle Charging Network

In addition to actively developing diversified charging equipment for different modes of operation, the Group is also committed to reducing the worries about the usage of electric vehicles. The main obstacles to large-scale application of electric vehicles include the lack of supporting facilities, the fact that charging facilities are not compatible with different models, difficulties on the management of decentralized charging stations, as well as the uneven allocation of resources. Zhuhai Yilian New Energy Motors Co., Ltd. (hereinafter referred to as "Zhuhai Yilian") under the Group has developed tailored charging solutions that can improve the level of charging management and also greatly improve the usage efficiency of charging equipment, creating convenient and efficient charging experience, solving the obstacles to the development of electric vehicles, and easing the worries of electric vehicle users. Zhuhai Yilian has built highly efficient and intelligent public charging network and centralized dedicated charging network in Zhuhai, Shaoguan, Baoding, Zhangjiakou, Beijing and other places, to actively provide users with convenient and high-quality charging services. We will continue to participate in the planning and construction of charging infrastructure to support the development of electric vehicles.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

3.1.4. Establish an Online Platform

In addition to city-level charging planning service, we understand that the lack of a complete charging station information platform will reduce the public's desire to buy electric vehicles, so we provide the mobile phone application "EV Link" for charging services to promote the usage of electric vehicles. "EV Link" not only provides online inquiry and automatic navigation of the location of the charging station, but also provides the reservation of the charging equipment, saving the waiting time. "EV Link" can also show the vehicle charging level, and remind the user to charge, avoiding the shortage of energy or overcharging. Through the services of the Group, we have solved the worries of the public about using electric vehicles and given the public confidence in the convenience of electric vehicles.

3.2. Product Quality and Safety

In order to ensure the quality of our products, we monitor and measure the characteristics of raw materials, process products and final products to verify that the products meet customer needs. We require that each process operator must carry out self-inspection, self-division of the products under different inspection and test states, self-marking of products, and control of self-inspection pass rate. The management has also conducted inspections in the production process and made relevant records. We also set up quality inspection department to test semi-finished products, and carry out tracking in accordance with the marking by process operators, so as to mark semi-finished products as qualified. Products assembled with qualified raw materials and semi-finished products will be tested at last. In addition to routine inspections and tests, we will also carry out inspections in accordance with customers' specific requirements. Products will also be labeled before shipment to ensure product quality, safety and traceability. In addition to the tests in production process, we also list the standards on safety management of charging stations, and will carry out regular inspection of charging stations to ensure that products are safe to users. Our product quality is obvious to all and recognized by the state. We have won the recognition of Zhuhai Municipal People's Government in 2012, and obtained such honors as well-known trademark in China, famous brand in Guangdong Province, well-known trademark in Guangdong Province, and Standardization Good Compliance Certificate. In 2014, we won the title of top ten innovative power pile enterprises, and also obtained the high-tech enterprise certificate.

3.3. Communication with Customers

Customer is the foundation of the Company to achieve sustainable development, and the source of product innovation. The Group attaches importance to the views of customers, and has established different channels to communicate with customers, such as WeChat, message board, 24-hour hotline. We adhere to customer point of view, and continue to improve products and services, with the interests of customers as the starting point. We respond positively to our customers according to four principles. Firstly, the principle of prevention: our employees should have the work attitude to be dedicated to the Group and customers, sincerely help customers to solve problems, put themselves in customers' positions to identify and meet customers' real needs and sincerely help customers solve problems, and develop corrective and preventive measures to address product quality problems. Secondly, the principle of timeliness: all departments should work together to quickly respond to problems, and strive to solve problems in the shortest possible time, to give a timely and satisfactory answer to customers. Thirdly, the principle of responsibility: we will determine the responsible department that leads to customer complaints, and require relevant departments to propose solutions. Fourthly, the principle of record: we will keep detailed records of each customer's comments, and sum up the experience of complaints handling, to provide valuable raw information for strengthening the management of customer services. Through the practice of the above four principles and established procedures, we provide customers with comprehensive services to improve product quality.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

4. ENERGY-SAVING AND EMISSION REDUCING PRODUCTION MODE

In the face of the challenges of global climate change and changing ecological environment, the Group strictly abided by the laws and regulations on emission, such as Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Water Pollution Prevention and Control Law of the People's Republic of China, formulated by the government and actively promoted and participated in the implementation of environmental protection policies in response to the call of the government. In addition to promoting environmental protection industry, we are actively taking different energy-saving measures to reduce energy consumption. The Group plays a leading role in treasuring resources, promotes the culture of treasuring the Earth's resources, and will implement it in the design of our new plant.

4.1. Treasure Resources

The Earth's resources are limited. Everyone has the responsibility to treasure and make good use of resources. The Group has taken different measures to manage and save resources. Over the years, we spared no effort to save energy use, and continued to review our energy conservation work to improve the inadequacies. In addition, we also followed the pace of the times to change our mode of work and advance to paperless office work. In order to advocate the importance of saving resources, we start small and apply "3R" principles into the entire work process, to make the best use and exert all the value of resources.

4.1.1. Saving Energy

As an environmentally friendly company, we are committed to reducing the energy required in our business processes in addition to introducing different green products. We have adjusted the air conditioning room temperature to 26 degrees Celsius in summer in response to the government's call to reduce electricity consumption. In addition, we also re-examined the design and practical needs of different working environments with a view to reducing unnecessary energy. We adopted fans to reduce the usage of air conditioners in rooms on some floors with high clear height and good ventilation. According to the number of staff, we have reduced one floor of staff dormitory, hoping to save resources and promote the relationship between employees. In business process, product testing requires a lot of power. In order to save energy, we have developed the "Power Control System". "Power Control System" can automatically control the charge and discharge, and the energy can flow in both directions, so that the power used in product testing can be re-used for next test to achieve the purpose of self-charging and self-use. As the size of the Group grows, our demand for servers has increased significantly. The increase in the number of servers will increase the demand for cabinets, and also bring pressure on air conditioning system. Due to the high heat productivity of servers, in order to keep the data center temperature stable, we need to increase the number of air conditioning cooling systems. To reduce the use of servers, Zhuhai Yilian under the Group has adopted a hybrid cloud to reduce air conditioning cooling pressure, and achieve the purpose of saving energy. In addition to enhancing energy efficiency, we also require employees to turn off all air-conditioners, equipment, fans and lights, etc. before leaving the office area, and we have also distributed leaflets to advocate saving water and electricity.

4.1.2. Paperless Office Work

As modernization and informationization pace accelerates, the Group's operation is also trending paperless. We encourage employees to use computer information system for internal or external communication. We use Office Automation (OA) system in notification, training applications, holiday applications and other administrative procedures to achieve the goal of paperless office work. OA system supports different administrative procedures, and also contains more than 20,000 processes, enabling relevant staff to understand the work flow anytime, anywhere, and also reduce the paper used in internal communication and approval. In terms of business, we use Enterprise Resource Planning (ERP) to complete the entire business process. From purchase demand to transactions, all documents regardless of purchase orders or sales orders are electronic documents instead of paper documents, significantly reducing the use of paper. At the same time, in order to improve paper utilization, we encourage double-sided copying or printing. We have established a recycling point to recycle single-sided waste papers to encourage employees to use single-sided waste paper for note taking.

4.1.3. Practice of 3R Principles

The Group also strives to promote the sustainable development of the environment by practicing the environmental concept of "3R" – "Reduce", "Recycle" and "Reuse" in business operations. In terms of "Reduce", we try to reduce packaging materials, and pursue simple rather than luxury. Our main non-hazardous waste is domestic waste, so we encourage employees to reduce the use of disposable items. Dormitory wastes were cleaned by cleaners regularly, but now are disposed of by employees themselves, with a view to reducing the use of garbage bags. In terms of "Recycle", we are actively pursuing different recovery plans to facilitate the redevelopment and use of underutilized resources. With regard to the hazardous wastes generated by the Group, including waste cloth, waste tin slag, alcohol bucket, washing plate bucket, diluents barrel, insulated paint bucket and waste lamp, we have also transferred these wastes to a qualified recycling company for recycling. In 2016, we recycled more than 200kg of tin slag. We also carry out publicity and education to employees, store garbage in classified way, place recyclable goods and waste separately, and make signs, to strictly prohibit discarding recyclable goods together with wastes or directly as wastes. In terms of "Reuse", we will require suppliers to make ordered pallets according to customer requirements, and the entire workflow will use the same pallets, so as to save a lot of pallets. Compared to 2015, we saved about 100 pallets in the operation in Zhuhai City.

4.2. Green Building

In 2016, the Group launched new plant design, and we added a lot of environmental protection elements in the design. We have adopted solar power for the new plant power source, designed the rainwater recovery system, and fully utilized natural resources, to achieve energy saving and water-saving effect, and practise sustainable development. The new plant construction has commenced in 2017. The Group requires the construction unit to implement various environmental protection measures during construction. We require the construction unit to properly control the hazardous and non-hazardous wastes, noises, air pollution and water pollution generated during the construction of the new plant in accordance with ISO 14000 Environmental Management System Standards. Construction unit promised to protect the surrounding environment, implement pollution prevention and control measures, and reasonably arrange construction time. In construction process, the project will take protective measures such as fencing to prevent dust pollution and will properly handle the construction wastewater and construction waste to reduce the impact on the surrounding environment. Domestic sewage will be implemented in accordance with the requirements of Zhuhai City drainage management departments. Solid wastes such as domestic waste are collected to be disposed of by local environmental authority. We require the construction unit to use low noise and low vibration machinery and equipment, and adopt effective sound insulation, noise elimination, noise reduction and vibration attenuation measures to meet the standards set out in Emission Standard of Environment Noise for Boundary of Construction Site (GB12523-2011).

5. CREATE VALUE FOR EMPLOYEES

Employees serve as an important pillar of the Group. We are committed to creating value for our employees and building a career platform that helps our employees to exert their expertise and maintain a balance between their lives and work. We are actively shaping employees to have the characteristics such as conscience, responsibility, entrepreneurial spirit, harmony and shared mission, as well as noble occupation spirit and superb professional ability, and be able to dedicated and diligent to the people and matters related to the Group. In addition, we expect employees to continue to learn, make continuous progress, and interact and help each other with a cooperative and tolerant attitude, and that the Group can operate orderly under system and process constraints, to form the cooperative, loyal, harmonious and sharing situation. The Group will strictly comply with laws and regulations relating to workers, such as the Labor Law of the People's Republic of China. We not only provide remuneration and benefits, but also build a sound development direction for employees, as well as pay attention to the safety and health of employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.1. Remuneration and Welfares

One of our culture foundations is people-orientation. We believe in "making the best possible use of men and accomplishing success with people". The development of the Group is inseparable from the joint efforts of employees, so we adopt market-oriented standards, and have established a sound remuneration and welfare system to share the fruits of the Group's development with employees. In addition to remuneration and welfares, we also provide a full range of care for our employees in life, and organize many cultural events to enhance employee identity and sense of belonging, and also practice another cultural foundation of us – team spirit.

5.1.1. Remuneration and Bonus

The Group provides employees with market-oriented remuneration and has established the remuneration distribution system based on job value, job competence requirements and job performance. Job value is assessed according to such six factors as influence, problem solving skill, leadership, communication skills, knowledge and skills and scope of work. In addition to adjusting the remuneration of all staff, the Group will also adjust the remuneration of individual employees based on the results of individual performance appraisal. In addition, in recognition of the Group's outstanding team and individuals in 2016, form a sense of collective honor and a sense of mission, encourage the enthusiasm and creativity of all staff, enhance corporate centripetal force and cohesion, set up our staff standard and examples, and create a positive and courageous atmosphere, we have established the annual evaluation program to provide cash rewards to outstanding teams or employees. In addition, we have also distributed red packets at the end of the year to encourage all employees of the Group to make further contributions to the Group's development. The departing employees are required to hand over on their last working day and will be paid with their remaining salary as scheduled.

5.1.2. Staff Benefits

The Group implements five-day working (eight hours a day) system and provides different paid holidays, including statutory holidays, annual leave, marriage leave, antenatal care leave, maternity leave, nursing leave, breastfeeding leave, funeral leave and work-related injury leave. We have purchased five social insurances including: pension, medical care, work-related injury, unemployment, birth insurance, and housing provident fund according to statutory requirements, and we also provide other allowances such as purchasing commercial insurance and providing high temperature subsidies for special posts. The trade union of the Group will also provide marriage and birth benefits, medical care and funeral consolation money, distribute shopping cards to employees on New Year's Day, Lunar New Year, Dragon Boat Festival and Mid-Autumn Festival, and give cake coupons to employees on their birthdays. The Group will also arrange all staff to receive a medical examination every year and organize female health check for female employees every year in March.

5.1.3. Cultural Activities

We believe that strengthening the corporate culture is to enhance the strength and competitiveness of the Group and ultimately achieve the strategic objectives of sustainable development. Corporate culture activity is an important way for employees to comprehend corporate spirit and philosophy. Through the spread of corporate culture concept, give correct guidance in such aspects as staff's ideas, behavior and values, and link the growth of employees closely with the development of the enterprise to achieve a win-win situation for the Company and employees. Over the years, we have been insisting on carrying out a variety of cultural and sports activities, training staff on their sense of recognition of the Group and responsibility, so as to create a warm and harmonious corporate culture. We will organize paid-travel for excellent staff and teams every year. In 2016, we also held such activities as Lunar New Year party, spring outing, skills competitions, etc.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2. Recruitment and Development Path

In order to practice one of the cultural foundations of the Group – "innovation-based", we have not only a comprehensive recruitment mechanism, but also a clear and sustainable career development path for our employees. The recruitment process of the Group can not only ensure the fair and impartial recruitment of talent, but also guarantee the rights and interests of internal staff. In addition, we are convinced that a complete career path is the greatest guarantee for employees, so we implement different measures to allow employees to get the career path that fit them best.

5.2.1. Recruitment

In order to standardize the recruitment activities, improve the efficiency of recruitment, meet the talent needs of the enterprise and promote the smooth implementation of the corporate business strategy, the Group has set up a sound recruitment management system. We carry out recruitment according to five principles: (1) the principle of fair competition, ensuring that candidates will not be discriminated because of ethnic, race, gender or religious beliefs; (2) limit of age which means that we will only hire those who meet the statutory work age; (3) recruiting with priority given to internal employees, which means that, when there is a vacancy, we will hire both internally and externally, but internal employee will be preferred under same conditions; (4) the principle of open recruitment and merit-based recruitment, which means that we will focus on open recruitment, with internal staff recommendation as supplement; and (5) the principle of unified management, which means that we will develop annual recruitment plan according to annual development plan, staffing situation and various departments' talent demand plan, and carry out recruitment through on-site job fairs, online recruitment, internal recommendation, campus recruitment, etc. All candidates are subject to the initial test. For professional departments, the candidates have to go through the testing and professional re-test of relevant professional quality, development potential, comprehensive ability and other capabilities to ensure the efficiency of recruitment.

5.2.2. Career Development Path

In order to establish a high-performance and high-quality excellent workforce that is self-motivated, self-restrained and self-managed, and cooperate with the rapid development and efficient operation of the Group, the Group has established a clear career path for employees. Employees can be promoted along a career path, and also adjust their promotion channels with the changes in development direction. Employees can follow three paths of development, including technology, professional and management, each of which can be subdivided into more professional development directions. For employees to have a better and mature career planning, we have established career development files for each employee, including: employee career development planning form, staff training needs, annual assessment records, training records, as a basis for career planning adjustment of staff. In order to encourage employees to communicate with the management to get career support, we have arranged the department heads and mentors as counselors for the career development of staff of various departments, to communicate with staff regularly according to their individual work performance and future development, so as to determine the next goal and direction. Counselors will also communicate with new staff, and make comprehensive consideration of their career development directions according to their personal circumstances, such as career interests, qualifications, professional skills, personal experience and background analysis. In addition to establishing a communication system, we also carry out personal expertise and skills assessment of our staff through the Employee Career Development Planning Form, which includes staff knowledge, skills, qualification certificates, career interests and so on, with a view to understanding the needs and development of our employees. The Group will also carefully examine the Employee Career Development Planning Form to find out whether the Group has provided training and promotion opportunities for staff in the past year, the assessment results and promotion of staff in the past year and put forward the recommendations for staff development at next stage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.2.3. Staff Training

The Group attaches importance to personnel training, and strives to achieve the goal of "learning in Titans, succeeding in the future; advancing with the times, not waiting". The Group has established a sound training system, internal lecturer system and mentor management system, etc., to encourage employees to make progress through independent learning, and actively provides support for staff training, including vocational skills and qualification awards, training incentives, lecturer allowance, academic upgrading support, etc., laying the foundation for the career development of employees. We offer six types of training courses for our employees. Specific courses for general category include calculation table training, comprehensive enterprise management ERP sandbox simulation training, and production planning and material control training. In order to ensure that all the procedures of the Group are in compliance with laws and regulations, we also provide courses related to policies and regulations, such as the training on the new national standard on electric vehicle charging system, the training on technical code for design of DC auxiliary power supply system for power engineering (DL/T 5044-2014), the training on general specification and safety requirements for DC power supply equipment of power projects (GB/T19826-2014), so that employees have a comprehensive understanding of the requirements of laws and regulations. As a professional enterprise, we also provide technical courses for employees, such as vehicle charger module design knowledge training, product protection training, vehicle charger AC product optimization design training. We also have specific courses about qualifications, in accordance with the professions of employees, such as human resources management, project management, procurement management and so on. In addition, we also provide specific management courses, such as performance management, remuneration management and system design, management system training, to enhance the management capacity of employees. In order to further enhance the professional status of the Group, we provide specific courses such as business plan training, Executive Master of Business Administration (EMBA) training, electric vehicle charging facilities installation and operation and maintenance management training. The Group provided 3,600 hours of training to more than 400 employees in 2016. We link professional qualifications with annual salary adjustment, job promotion, and annual evaluation to encourage employees to enhance their professional level. In order to meet the development needs of the Group and staff, we will conduct an annual staff training needs survey, and carry out the survey according to each employee's current job responsibilities, qualification requirements and personal career development planning, as well as the actual situation.

5.3. Employee Safety and Health

As a responsible employer, the Group attaches importance to the safety and health of employees and strictly abides by the national laws, regulations, rules and standards of the State on the prevention and control of occupational diseases, such as the Law of the People's Republic of China on Work Safety, the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases, the Regulations on the Supervision and Administration of Workplace Occupational Health promulgated by State Administration of Work Safety, and implements labor protection policies. The Group is committed to the work of labor protection and safety management, and firmly adheres to the idea of "safety first" to earnestly implement "safe production, the duty of everyone; safe production, prevention first". We not only have a sound system to ensure that all employees can do a good job of occupational disease prevention and control, but also continue to pursue progress to improve staff working environment and conditions. The co-ordination and continuous testing of protective facilities is an important part of safety management. The co-ordination of hardware is important, but publicity and education are also elements that cannot be ignored. In order to further strengthen the Group's safety management, we have established a system of production safety incentives and penalties. In addition to the safety management of daily production, we have also established relevant system related to occupational hazards and fire safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3.1. Safe Production System

In order to clarify the responsibilities of leaders at all levels, functional departments, production departments and employees in the prevention and control of occupational diseases, the Group has formulated the system of safety production responsibility. The system sets out the safety responsibilities of employees at all levels, including the establishment of measures, the implementation of measures, regular inspections and other duties. In addition, in order to regularly analyze the dynamics of production safety and to solve the problems of safe production in a timely manner, the Group has set up safety production committee, comprising the management, safety inspectors and professional employees. An occupational health leadership group meeting will also be held quarterly to study and formulate occupational disease prevention and control plans and schemes, improve and revise occupational health management system and occupational health safety operation procedures, and set out the responsibilities of posts according to the division of labor and organize specific implementation. The Group attaches importance to the views of employees. Through the annual meeting with staff representatives, we will report on the work plan and implementation of occupational hazards in various departments. We will also take the initiative to listen to the opinions of employees on their occupational health work and instruct relevant departments to deal with and put forward reasonable suggestions and opinions in time. In addition, the meeting of the occupational hazard prevention and control working team will also be held regularly to listen to the reports of various departments on occupational health and to take timely measures accordingly. In addition to reviewing the existing mechanism by listening to the views of our staff, we will regularly organize occupational hazard prevention and control work inspection, conduct timely research on the problems identified, formulate improvement measures and designate specific departments to timely resolve the problems, in order to eliminate the worries of occupational diseases. Our technical departments will also develop technical improvement schemes, planning safety technology, labor protection, occupational disease prevention and control measures, to improve staff working environment and conditions and take measures to protect the health of employees.

5.3.2. Coordination of Protective Facilities

Safety protective equipment plays an important role in the prevention of occupational diseases and work-related accidents. If there is no protective equipment, safety management only stays on the paper. As a result, the Group has set up safety protection facilities in the plant. In order to ensure that the protective facilities can effectively protect the staff, we have developed occupational disease protection facilities inspection and maintenance plans and schemes, regularly organized the education and training for the proper use and maintenance of occupational disease protection facilities, and specify that production department should check the operation of protective facilities weekly and workers should record the operation of facilities every day. The management will also regularly check the daily inspection, maintenance and overhaul of protective facilities. In addition to large safety protective equipment, we also prepare different personal protective equipment for our employees according to the requirements of each employee's work and prohibit employees from using unqualified or expired protective equipment. The Group not only provides staff with safety protection equipment and personal protective equipment, but also arranges third-party agencies to detect and evaluate the hazards on the job site regularly, and implements the recommendations proposed after detection according to the actual needs. In addition, we arrange occupational health examination annually for employees who are exposed to occupational hazards, in strict accordance with the Technical Specifications on Occupational Health Surveillance. In 2016, we did not find any abnormal situation of staff. We also arrange pre-employment occupational health examination for new staff members who are exposed to occupational hazards, with a view to ensuring that the staff can adapt to the working environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3.3. Publicity and Education

In addition to providing safety protection facilities, the Group actively carries out publicity and safety training for employees to enhance their awareness and ability of self-protection. We set up bulletin boards in the plant to publish the rules and regulations on occupational disease prevention and control, the operation procedures, the emergency rescue measures for occupational hazards and the results of detection and evaluation of occupational hazards. We have also set up warning signs and Chinese warnings to remind employees of the types of occupational hazards, consequences, prevention and emergency response measures and so on. In addition to occupational safety publicity, we also carry out pre-employment safety training and regular safety training during the work period to enhance staff's occupational safety knowledge. The training covers occupational health-related laws, regulations and standards, basic occupational health knowledge, occupational health management system and operating procedures, proper use of occupational disease protection equipment and personal protective equipment, emergency rescue measures and basic skills in the event of an accident, and cases of occupational hazards. Workers are required to receive safety training, and get work permits after passing the exam. In order to enhance the safety awareness and occupational disease prevention awareness of employees and enhance the sense of safety, in addition to regular safety education and training, the Group will also arrange professional and technical personnel to carry out professional safety and technical training for employees who adopt new equipment, and ensure they can only work after passing the exam.

5.3.4. Safe Production Rewards and Punishment System

Publicity and education enhances the production safety awareness of staff. However, to further enhance the driving force to the implementation of safe production by employees, strengthen production safety management, and prevent and reduce safety accidents, the Group has developed a safe production rewards and punishment system. The Group encourages rewarding, in mental or material form, the employees or departments having conscientiously implemented the safety management policies and systems of the Group, carried out safety management work, abided by laws and discipline and avoided accidents. In addition, we will punish the leaders of relevant departments and the responsible persons, who have led to accidents, delayed rectification and violated discipline, according to the principles of "who are in charge, who are responsible; who is responsible, who bears responsibilities". In addition, Zhuhai Titans Technology Co., Ltd. has organized the 5S (finishing, rectification, cleaning, quality, security) contest, to encourage employees to keep the workplace clean and tidy, put items neatly and orderly, properly place all work items before getting off work, cultivate the habit of self-discipline, and create a safe and zero-accident office environment.

5.3.5. Accident Handling Scheme

In order to avoid the occurrence of chaos after an accident and timely and effectively control and handle occupational hazards, the Group has developed clear accident handling procedures, and strives to control the scene as soon as possible to prevent the expansion of the situation and minimize the hazards of accidents. In addition to clearly indicating the evacuation line and the emergency collection point in the event of an accident, we have set up a warning sign at the emergency rescue facility to ensure that employees know the method to use it properly. With regard to the effectiveness of emergency rescue facilities and occupational hazard prevention facilities, we will regularly carry out inspection and maintenance to ensure the safety and effectiveness of the facilities. Regular exercise of occupational hazard rescue scheme is also an indispensable work. In addition to enabling staff to get familiar with post-accident handling scheme through the exercise, we also ask managers to evaluate the effectiveness of the effect in order to improve the emergency response scheme. In addition, if an accident occurs, we will also form an occupational hazard investigation team to collect evidence, analyze the responsibility of the accident, punish the responsible person, and take measures to prevent the accident from happening again.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

5.3.6. Fire Safety Management

In addition to occupational hazards, the Group concerns about fire safety management, and has developed fire safety management system in accordance with the Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions. The Group will also hold regular meetings of person-in-charge of key units, and carefully check and implement various fire prevention systems and safety measures. We will also conduct regular fire inspections and make continuous improvement to eliminate fire hazards. In order to ensure the effectiveness of fire equipment, we will regularly check, purchase or repair fire equipment, to ensure 100% intactness and soundness. We will commission the units with relevant qualification every year to carry out a comprehensive inspection and test of building fire extinguishers and automatic fire facilities. In addition to regular inspections, publicity and education is also a major guideline for our fire safety management. We set up a fire prevention publicity column to improve staff's fire safety awareness and skills. We will not only provide pre-service training for newly recruited staff, but also carry out fire safety education and training, and invite the organizations with fire safety training qualification to provide professional fire safety knowledge training.

6. CREATE VALUE FOR PARTNERS AND THE SOCIETY

We penetrate the Group's management policy "innovation-based, integrity" throughout the supply chain. Innovation is the cornerstone of our survival and the power of our development. We will not follow the old and rest on our laurels, as that means waiting for death. We actively cooperate with our suppliers and expect to share opportunities with them. Integrity is also the operational principle. If we lack integrity and responsibility, we will accomplish nothing, so data privacy is a major category of our attention. As a good corporate citizen, the Group not only attaches importance to the common development with the partners, but also makes more efforts to contribute to the community, in order to strive for outstanding business performance and also promote social civilization and prosperity and harmony. Corruption is criticized most by people, so we are committed to combating corruption, and we have, from multiple levels, developed and implemented measures to achieve zero corruption. In order to promote social communion, apart from strict compliance with labor laws and regulations, we avoid the employment of child labor and forced labor, establish equal programs and pay attention to the employment needs of people with disabilities.

6.1. Cooperation with Suppliers

The development of the Group depends on many suppliers to provide the necessary raw materials to support our business operations, and let us take every step of innovation. In order to develop and evolve with our suppliers, we have established stringent standards to assess the conduct of suppliers and have developed transparent and fair procurement procedures and supplier contractual arrangements. We have set up clear new supplier selection policy that requires suppliers to make self-assessment first, aimed to let suppliers understand our requirements and declare responsible business ethics to them. We will also conduct on-site audit of suppliers, to review whether suppliers can provide the products in line with quality requirements using the reliable production processes and the key equipment that complies with production requirements. We will also review whether suppliers have passed the third party validation related to environmental and safety management practice. In addition to on-site audits, we will also test suppliers' samples to ensure product quality. We will also continue to monitor qualified suppliers. In order to ensure long-lasting high-quality of products, the Group will conduct quality checks on suppliers' products every month, review them regularly according to the quality of products, the timeliness of delivery, coordination and price, and reconsider suppliers' supply qualification. In 2016, most of our major suppliers are located in Guangdong Province, which can reduce carbon emissions during transport.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

6.2. Data Confidentiality

The Group has always been customer-oriented, and respects the privacy of individuals conferred by law. In serving customers, we strictly protect their personal information. The Group has developed different policies to comply with the laws and regulations relating to personal privacy. We have not only established the relevant system, but also signed confidentiality agreement with employees and customers to strengthen the protection of business secrets and safeguard the legitimate rights and interests of both sides. Zhuhai Yilian has not only set the protection for in-app data in the design program, but also secured the client data acquired from the application. Zhuhai Yilian has set up virtual server's automatic backup and recovery function to ensure data security. Its data confidentiality work meets the requirements of ISO 27000 Information Security Management System. The Group has also been awarded the title of Guangdong Enterprise of Observing Contract and Valuing Credit by Guangdong Provincial Administration for Industry and Commerce in 12 consecutive years.

6.3. Anti-Corruption

In order to establish a clean society, the Group proceeded from a number of systems to avoid corruption. Internally, the Group has established a system to severely punish employees who use their positions to facilitate, illegally possess or falsely claim corporate property or commit fraud, malpractice, commercial bribery, illegal misuse, disclosure of secrets and embezzlement of corporate funds. In addition, we have set up specific financial positions according to the principle of separation of duties in incompatible duties, implement one person multi roles and regular rotation management system, and clarify each employee's rights carefully, to avoid that employees have the opportunity to receive benefits. Externally, most of our transactions are handled through the e-commerce platform, and all transaction payments have a clear record to avoid corruption. In addition to choosing suppliers in a public and transparent manner, we will also select reputable suppliers to reduce the risk of money laundering and thus maintain our corporate reputation. At sales level, we strictly enforce the regulation, prohibit exaggerated prices, and avoid the signing of false contracts. We will also enter into an Integrity and Law-abiding Agreement with the contractor in the process of bidding for a project and enter into an Integrity Agreement with the client to enhance the two sides' ability to operate in accordance with the law, improve their self-constraint and self-discipline, and create compliant, integrity, clean and efficient working environment, to prevent illegal acts. We strictly abide by the laws and regulations regarding prevention of bribery, extortion, fraud and money laundering.

6.4. Promote Social Communion

We are committed to building a communion society. We encourage our employees to serve the community warmly, and we have also established equal programs that allow everyone to enjoy equality and respect. The Group implements the policy of fair remuneration to male and female employees internally, and based on external market comparison, we have achieved the fairness of internal and external markets. Based on the evaluation of job value, we have achieved the fairness of relative value of posts. Based on the qualification assessment, we have also achieved individual fairness. We also implement the principle of equal promotion of male and female employees, with promotion focus on personal work performance, personal development potential and recognition of the core values of the enterprise. The Group strictly implements fair benefit policy to male and female employees, and also takes into account the protection policy for female employees. In addition to gender equality, we also agree that disabilities should be treated fairly. Therefore, we have given employment opportunities for disabilities and employed four disabilities into the administrative, support and production departments respectively, to help them integrate into the community. Through the above measures, the Group expects to establish a society of equality, communion and justice.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF CHINA TITANS ENERGY TECHNOLOGY GROUP CO., LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Titans Energy Technology Group Co., Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 78 to 184, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying amount of inventories

Refer to note 21 to the consolidated financial statements and the accounting policies on page 105.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the carrying amount of the inventories was approximately RMB97,893,000. The carrying amount of and the allowance for inventories are reviewed by the management periodically, which involves significant degree of estimates on the net realisable value. We have identified the carrying amount of the inventories as a key audit matter since the carrying amount of inventories was significant to the consolidated financial statements and the assessment on the allowance for inventories involves significant judgements and estimates made by the management.	Our procedures in relation to the carrying amount of inventories were designed to review the judgements and estimates made by the management on the assessment on the allowance for inventories as at 31 December 2016. We have discussed with the management for the long-aged inventories identified at 31 December 2016 and challenged their judgements and estimates on such inventories of not being obsolete. We have reviewed the utilisation of inventories and sales contracts awarded and entered into between the Group and the customers on the abovementioned long-aged inventories. We have also reviewed the selling price of the inventories at 31 December 2016 and compared with their carrying amount to consider whether the inventories were stated at lower of their costs or net realisable values.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Valuation and impairment of trade receivables

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 107 and 108.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2016, the carrying amount of trade receivables, net of allowance for impairment of trade receivables, were approximately RMB216,407,000, net of allowance for impairment loss of trade receivables of approximately RMB63,622,000. Allowance for impairment loss in respect of trade receivables of approximately RMB17,854,000 has been recognised for the year ended 31 December 2016. The impairment assessment performed by the management included the identification of objective evidence of impairment and calculation of the present value of estimated future cash flows of the trade receivables under the impairment testing. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of the estimated future cash flows of trade receivables. We have identified the valuation and impairment of the trade receivables as a key audit matter in view of the significance of the carrying amount of trade receivables and the impairment assessment performed by the management involved significant judgements and estimates, which may be subject to management bias.	Our audit procedures were designed to review the management assessment of the indicators of impairment and challenge the reasonableness of the judgements and estimates used in the calculation of the estimated future cash flows of trade receivables under the impairment testing. We have discussed the indicators of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We have challenged the judgements and estimates used by the management under the impairment testing by assessing the reliability of the management's estimates on the future cash flows of trade receivables, taking into account the ageing analysis at year end and cash received after year end, as well as the past repayment history and recent creditworthiness of each significant debtor.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Valuation of the convertible notes

Refer to note 30 to the consolidated financial statements and the accounting policies on page 110.

The key audit matter	How the matter was addressed in our audit
The Company has convertible notes with principal amount of HK$100,000,000 and bifurcated into financial liability portion for the interest-bearing notes and derivatives for the conversion option and redemption option. Independent valuer was engaged by the management for the calculation of the fair values of (i) financial liability portion of the convertible notes at issue date; and (ii) derivative options of the convertible notes at issue date and at 31 December 2016. We have identified the valuation of the convertible notes as a key audit matter since the carrying amount of the convertible notes was significant to the consolidated financial statements and significant judgements and estimates have been used by the management and independent valuer in determining significant unobservable inputs adopted in the calculation of the fair values of financial liability portion and derivative options of the convertible notes.	Our procedures were designed to challenge the reasonableness of the significant unobservable inputs adopted in the calculation of the fair values of financial liability portion and derivative options of the convertible notes, with reference to the available market sources. We also reviewed the methodology and the input data used by the independent valuer in the calculation of the fair values of financial liability portion and derivative options of the convertible notes.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (continued)

Charging services concession rights

Refer to notes 18 and 33 to the consolidated financial statements and the accounting policies on page 104.

The key audit matter	How the matter was addressed in our audit
The Group has entered into two Build-operate-transfer arrangements with stated-owned enterprises in the People's Republic of China in respect of the charging services. During the year ended 31 December 2016, the construction revenue and charging services concession rights under intangible assets of approximately RMB26,692,000 have been recognised based on the cost plus method, which the management concludes it is consistent with the rate that a market participant would require as compensation for providing similar services. The impairment assessment on the carrying amount of charging services concession rights performed by the management included the identification of objective evidence of impairment and calculation of recoverable amount, based on value-in-use, of charging services concession rights. This assessment is dependent upon significant judgements and estimates made by the management in the calculation of value-in-use, derived from profit forecasts and cash flows projections. We have identified the charging services concession rights as a key audit matter in view of the significance and the involvement of significant judgements and estimates made by the management in (i) determining the margin to be adopted in the abovementioned cost plus method; and (ii) the underlying data and assumptions used in the profit forecasts and cash flows projections, which may be subject to management bias.	Our procedures were designed to review the judgements and estimates made by the management on the determination of the margin to be adopted in the cost plus method and the impairment testing on the charging service concession rights at the end of the reporting period. We discussed with the management for the market comparables used in determining the margin used in the cost plus method. We also reviewed the nature of the business and the available public financial data of the market comparables used by the management. We have discussed the indication of possible impairment with the management and, where such indicators were identified by the management, assessed the impairment testing performed by the management. We compared the profit forecasts approved by the management with actual results available up to the report date. We also challenged the appropriateness of the management judgements and estimates used in the profit forecasts and cash flows projection, including the sales growth rates and gross profit margins, against latest market expectations. We also challenged the discount rates adopted in the calculation of the recoverable amounts by reviewing its basis of calculations and comparing the input data to market sources.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Pang Wai Hang.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Pang Wai Hang
Practising Certificate Number: P05044
Hong Kong
28 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	5	**289,298**	195,902
Cost of sales		**(194,623)**	(124,117)
Gross profit		**94,675**	71,785
Other revenue	7	**13,514**	25,244
Selling and distribution expenses		**(52,027)**	(41,033)
Administrative and other expenses		**(62,363)**	(53,107)
Allowance for impairment loss recognised in respect of trade receivables	22	**(17,854)**	(43,696)
Reversal of impairment loss recognised in respect of trade receivables	22	**30,760**	23,320
Impairment loss recognised in respect of available-for-sale financial asset		**(1,983)**	(4,192)
Reversal of impairment loss (impairment loss) recognised in respect of prepayment	23	**4,650**	(4,650)
Impairment loss on goodwill	17	**–**	(642)
Loss on disposal of subsidiaries	37	**(575)**	–
Gain on disposal of an associate		**5,138**	2,655
Gain on disposal of available-for-sale financial asset		**87**	–
Share of results of associates		**(521)**	1,832
Loss on deemed disposal of an associate		**–**	(112)
Net fair value gain on derivative components of the convertible notes	30	**10,111**	–
Finance costs	8	**(12,659)**	(7,736)
Profit (loss) before tax		**10,953**	(30,332)
Income tax (expense) credit	9	**(5,998)**	2,589
Profit (loss) for the year	10	**4,955**	(27,743)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Reserve released upon impairment loss on available-for-sale financial asset		**–**	1,008
Fair value gain on available-for-sale financial asset		**136,174**	–
Income tax relating to items that may be reclassified subsequently		**(34,044)**	(152)
Other comprehensive income for the year, net of income tax		**102,130**	856
Total comprehensive income (expense) for the year		**107,085**	(26,887)
Profit (loss) for the year attributable to:			
– Owners of the Company		**7,279**	(26,061)
– Non-controlling interests		**(2,324)**	(1,682)
		4,955	(27,743)
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**109,409**	(25,205)
– Non-controlling interests		**(2,324)**	(1,682)
		107,085	(26,887)
EARNINGS (LOSS) PER SHARE	*14*		
Basic and diluted (RMB)		**0.79 cents**	(3.04) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	15	**26,550**	29,688
Prepaid lease payments	16	**8,613**	8,925
Goodwill	17	**–**	–
Deposit paid for the acquisition of available-for-sale financial asset		**–**	5,000
Prepayment for the construction of property, plant and equipment		**15,000**	–
Intangible assets	18	**25,300**	180
Interests in associates	19	**12,094**	706
Available-for-sale financial assets	20	**14,828**	3,074
Deferred tax assets	32	**7,177**	9,465
		109,562	57,038
Current assets			
Inventories	21	**97,893**	89,717
Trade and bills receivables	22	**228,365**	331,730
Prepayments, deposits and other receivables	23	**57,778**	54,301
Prepaid lease payments	16	**312**	312
Amount due from an associate	24	**2,175**	34
Redemption option derivative of the convertible notes	30	**13,331**	–
Restricted bank balances	25	**148,548**	81,823
Short-term bank deposits	25	**130,014**	30,000
Bank balances and cash	25	**13,830**	58,621
		692,246	646,538
Assets classified as held for sale	26	**165,100**	28,000
		857,346	674,538
Current liabilities			
Trade and bills payables	27	**63,968**	88,749
Receipts in advance		**11,838**	3,006
Accruals and other payables		**10,937**	21,882
Conversion option derivative of the convertible notes	30	**22,200**	–
Amounts due to non-controlling shareholders of subsidiaries	28	**–**	1,171
Tax payable		**4,724**	2,962
Bank borrowings	29	**149,850**	126,700
		263,517	244,470
Net current assets		**593,829**	430,068
Total assets less current liabilities		**703,391**	487,106

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Convertible notes	*30*	**75,412**	–
Deferred tax liabilities	*32*	**42,937**	9,319
		118,349	9,319
Net assets		**585,042**	477,787
Capital and reserves			
Share capital	*34*	**8,087**	8,087
Share premium and reserves		**567,973**	458,564
Equity attributable to owners of the Company		**576,060**	466,651
Non-controlling interests		**8,982**	11,136
Total equity		**585,042**	477,787

The consolidated financial statements on pages 78 to 184 were approved and authorised for issue by the board of directors on 28 March 2017 and are signed on its behalf by:

An Wei
Director

Li Xin Qing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Merger reserve RMB'000 *(note (a))*	Exchange translation reserve RMB'000	Available-for-sale financial assets revaluation reserve RMB'000	Capital reserve RMB'000 *(note (b))*	Statutory reserve fund RMB'000	Other reserve RMB'000 *(note (c))*	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	7,387	242,998	2,834	8,640	504	(856)	(1,539)	38,633	2,066	109,011	409,678	1,859	411,537
Loss for the year	–	–	–	–	–	–	–	–	–	(26,061)	(26,061)	(1,682)	(27,743)
Other comprehensive income (expense) for the year:													
Reserve released upon impairment loss on available-for-sale financial assets	–	–	–	–	–	1,008	–	–	–	–	1,008	–	1,008
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	(152)	–	–	–	–	(152)	–	(152)
Total comprehensive income (expense) for the year	–	–	–	–	–	856	–	–	–	(26,061)	(25,205)	(1,682)	(26,887)
Establishment of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	10,959	10,959
Issue of shares upon placing *(note 34(ii))*	689	81,299	–	–	–	–	–	–	–	–	81,988	–	81,988
Transaction cost attributable to issue of shares	–	(470)	–	–	–	–	–	–	–	–	(470)	–	(470)
Exercise of share options	11	1,314	(665)	–	–	–	–	–	–	–	660	–	660
Lapse of share options	–	–	(2,169)	–	–	–	–	–	–	2,169	–	–	–
At 31 December 2015	8,087	325,141	–	8,640	504	–	(1,539)	38,633	2,066	85,119	466,651	11,136	477,787
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	7,279	7,279	(2,324)	4,955
Other comprehensive income (expense) for the year:													
Fair value gain on available-for-sale financial asset	–	–	–	–	–	136,174	–	–	–	–	136,174	–	136,174
Income tax relating to items that may be reclassified subsequently	–	–	–	–	–	(34,044)	–	–	–	–	(34,044)	–	(34,044)
Total comprehensive income (expense) for the year	–	–	–	–	–	102,130	–	–	–	7,279	109,409	(2,324)	107,085
Transfer in (out)	–	–	–	–	–	–	–	321	–	(321)	–	–	–
Establishment of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	2,380	2,380
Disposal of subsidiaries *(note 37)*	–	–	–	–	–	–	–	–	–	–	–	(2,210)	(2,210)
At 31 December 2016	8,087	325,141	–	8,640	504	102,130	(1,539)	38,954	2,066	92,077	576,060	8,982	585,042

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

Notes:

(a) Merger reserve represents the amount of consideration paid to Zhuhai Titans Group Company Limited, in excess of the net book value of the subsidiary acquired from Zhuhai Titans Technology Co., Ltd.* 珠海泰坦科技股份有限公司 ("Titans Technology") in previous years.

(b) Capital reserve represents the difference between the fair values of the net assets acquired from non-controlling interests and the carrying values of the underlying assets and liabilities attributable to these additional interests.

(c) Other reserve represents the difference of the consideration paid for the acquisition of an additional equity interest in a subsidiary and the carrying value of the additional equity interests of the subsidiary acquired.

* *English name is for identification purpose only*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**10,953**	(30,332)
Adjustments for:		
Amortisation of intangible assets	**1,572**	120
Amortisation of prepaid lease payments	**312**	130
Bank interest income	**(688)**	(1,835)
Depreciation of property, plant and equipment	**11,780**	8,985
Finance costs	**12,659**	7,736
Loss on disposal of subsidiaries	**575**	–
Gain on disposal of an associate	**(5,138)**	(2,655)
Gain on disposal of available-for-sale financial asset	**(87)**	–
Loss (gain) on disposal of property, plant and equipment	**242**	(22)
Loss on deemed disposal of an associate	**–**	112
Government grants	**(2,029)**	(14,360)
Dividend from available-for-sale financial asset	**(362)**	–
Impairment loss on recognised in respect of available-for-sale financial assets	**1,983**	4,192
Allowance for impairment loss recognised in respect of trade receivables	**17,854**	43,696
Impairment loss on goodwill	**–**	642
(Reversal of impairment loss) impairment loss on prepayments	**(4,650)**	4,650
Reversal of impairment loss recognised in respect of trade receivables	**(30,760)**	(23,320)
Share of results of associates	**521**	(1,832)
Net fair value gain on derivative components of the convertible notes	**(10,111)**	–
Expenses on issuance of convertible notes	**101**	–
Unrealised exchange loss	**1,829**	–
Operating cash inflows (outflows) before movements in working capital	**6,556**	(4,093)
Increase in inventories	**(23,516)**	(24,554)
Decrease (increase) in trade and bills receivables	**109,865**	(77,230)
Increase in prepayments, deposits and other receivables	**(2,437)**	(15,687)
(Increase) decrease in amounts due from associates	**(2,141)**	25,001
(Decrease) increase in trade and bills payables	**(8,423)**	11,687
Increase in receipts in advance	**4,370**	1,750
(Decrease) increase in accruals and other payables	**(4,252)**	1,133
Cash generated from (used in) operations	**80,022**	(81,993)
Income tax paid	**(2,374)**	–
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**77,648**	(81,993)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
INVESTING ACTIVITIES			
Placement of short-term bank deposits		**(105,014)**	–
Withdrawal of short-term bank deposits		**5,000**	33,000
Proceeds on disposal of available-for-sale financial asset		**2,235**	–
Bank interest received		**688**	1,835
Proceeds on disposal of property, plant and equipment		**800**	92
Dividend received from an associate		**–**	17,445
Dividend received from available-for-sale financial asset		**362**	–
Proceeds on disposal of an associate		**–**	25,430
Acquisition of interest in an associate		**–**	(1,250)
Capital contribution to associates		**(11,850)**	(600)
Purchase of property, plant and equipment		**(12,708)**	(10,783)
Purchase of prepaid lease payments		**–**	(9,367)
Capital contribution from non-controlling shareholders of subsidiaries		**2,380**	10,959
Receipts of partial consideration from the disposal of assets classified as held for sale		**5,000**	–
Prepayment for the construction of property, plant and equipment		**(15,000)**	–
Deposit paid for the acquisition of available-for-sale financial asset		**–**	(5,000)
Acquisition of an available-for-sale financial asset		**(6,111)**	–
Acquisition of intangible assets		**(26,692)**	–
Cash inflow from disposal of subsidiaries	37	**1,013**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(159,897)**	61,761

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	NOTE	2016 RMB'000	2015 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		**97,850**	193,700
Repayment of bank borrowings		**(74,700)**	(162,000)
Deposit paid for the restricted bank balance		**(73,887)**	(78,091)
Withdrawal of the restricted bank balance		**7,162**	–
Proceeds from issuance of the convertible notes	30	**84,246**	–
Expenses paid for the issuance of the convertible notes		**(230)**	–
Proceeds on issue of shares		**–**	81,988
Transaction cost paid for the issue of shares		**–**	(470)
Proceeds on issue of shares under share options scheme		**–**	660
(Repayment to) advance from the associate		**–**	(698)
Repayment to directors		**–**	(20)
(Repayment to) advances from the non-controlling shareholders of subsidiaries		**(799)**	958
Receipts from government grants		**2,029**	14,238
Interest paid		**(4,213)**	(7,736)
NET CASH FROM FINANCING ACTIVITIES		**37,458**	42,529
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(44,791)**	22,297
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**58,621**	36,324
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH		**13,830**	58,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL

China Titans Energy Technology Group Co., Limited (the "Company") was incorporated and registered as an exempted company in the Cayman Islands with limited liability. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" to the annual report.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are (i) supply of power electric products and equipment; (ii) the sales and leases of electric vehicles; (iii) provision of charging services for electric vehicles; and (iv) construction services of charging poles for electric vehicles under Build-Operate-Transfer ("BOT") arrangements. The Company's principal activity is investment holding. The principal activities of the subsidiaries are set out in note 44.

The consolidated financial statements of the Group are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)") and amendments, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosure set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9 (2014)	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Lease*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	Applying HKFRS 9 *Financial Instruments* with HKFRS 4 *Insurance Contracts*[2]
Amendment to HKFRSs	*Annual improvements to HKFRSs 2014 – 2016 Cycle*[5]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective date not yet been determined.
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

HKFRS 9 (2014) *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) *Financial Instruments* (continued)

Key requirements of HKFRS 9 (2014) are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 9 (2014) *Financial Instruments* (continued)

Key requirements of HKFRS 9 (2014) are described below: (continued)

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company anticipate that the application of HKFRS 9 (2014) in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets and financial liabilities, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 (2014) until a detailed review has been completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with a customer;
(ii) Identify the performance obligations in the contract;
(iii) Determine the transaction price;
(iv) Allocate the transaction price to the performance obligations; and
(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective (continued)

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property*, *Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS(s)") (continued)

New and revised HKFRSs issued but not yet effective (continued)

Amendment to HKAS 7 *Disclosure Initiative*

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfil the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for the available-for-sale financial assets, available-for-sale financial asset classified under assets classified as held for sale, redemption option derivative and conversion option derivative of the convertible notes that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) ability to use its power over the investee to affect the amount of the Group's return. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained profits as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the cash-generating unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is any entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in which the investment is acquired.

After the application of the equity method, including recognising the associate's losses, the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of the investment is not separately recognised. The entire carrying amount of an investment in an associate (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

Gains and losses resulting from transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to disposal, except for the available-for-sale financial assets classified as non-current assets held for sale which are measured in accordance with the accounting policy as detailed in policy for "financial instruments" below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of returns and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

– the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

– the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

– the amount of revenue can be measured reliably;

– it is probable that the economic benefits associated with the transaction will flow to the Group; and

– the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

– installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;

– servicing fees are recognised by reference to the proportion of the total cost of providing the service; and

– revenue from time and material contracts is recognised at the contractual rates as labour hours and direct expenses are incurred.

Service income including that from operating service provided under service concession arrangements is recognised when services are provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Rental income from operating leases is recognised in accordance with the accounting policy mentioned under leasing.

Construction contracts

When the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract can be estimated reliably, revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve (attributed to non-controlling interest as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

Payments to the state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit (loss) before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Service Concession arrangements

Consideration given by the grantor

An intangible asset (charging services concession rights) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (charging services concession rights) is accounted for in accordance with the policy set out for "intangible assets" below.

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement is recognised initially at its fair value as an intangible asset.

Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "revenue recognition" above.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss, if any. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

When the Group has a right to charge for usage of concession infrastructure (as a consideration for providing construction service in a service concession arrangement), it recognises an intangible asset at fair value upon initial recognition. The intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses, if any. Amortisation is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 8 or 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenditure

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term bank deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified as either loans and receivables or available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including deposit paid for the acquisition of available-for-sale financial assets, trade and bills receivables, deposits and other receivables, amount due from an associate, restricted bank balances, short-term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss of financial assets below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as fair value through profit or loss, loan and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in carrying amount of available-for-sales financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale financial assets revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale financial assets revaluation reserve is reclassified to profit or loss (see accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment loss on financial assets (continued)

For certain categories of financial assets, such as trade and bills receivables and deposits and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and deposits and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bill receivable, deposit or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment loss on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in available-for-sale financial assets revaluation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and bills payables, accruals and other payables, amounts due to non-controlling shareholders of subsidiaries and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible notes

Convertible notes issued by the Group that contain both liability component, conversion option and redemption option derivatives components are classified separately into respective items on initial recognition. Conversion option and redemption option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative and a redemption option derivative. At the date of issue, the liability component, conversion option and redemption option derivatives components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option and redemption option derivatives are measured at fair value with changes in fair value recognised in profit or loss. Transaction costs that relate to the issue of the convertible notes are allocated to the liability component and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently measured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets (other than impairment of goodwill set out in accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value, except for the Group's leasing transactions and net realisable value of inventories, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Classification of leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance lease or an operating lease separately based on the assessment as to whether substantially all the risk and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

The directors of the Company determine that the lease payments of leasehold land and buildings of approximately RMB2,902,000 (2015: RMB3,656,000) cannot be allocated reliably between the land and building elements due to infeasibility of the allocation of purchase price between the leasehold land and buildings. The total amount has been classified as a finance lease under the property, plant and equipment.

Significant influence over associates

As per note 19 to the consolidated financial statements, the directors of the Company considered Beijing Aimeisen Information Technology Co., Ltd* (北京埃梅森信息技術有限公司) ("Beijing Aimeisen"), in which the Group has 20% equity interest in, is an associate of the Group as the Group has significant influence over Beijing Aimeisen by virtue of its contractual right to appoint one out of three directors to the board of directors of Beijing Aimeisen.

As per note 19 to the consolidated financial statements, the directors of the Company considered that the Group has lost significant influence over Zhuhai Titans New Power Electronics Co., Ltd* (珠海泰坦新動力電子有限公司) ("Titans New Power") as a result of the dilution of the equity interest and voting right from 30% to 10% during the year ended 31 December 2015 and the Group did not have any contractual right to appoint any director to the board of directors of Titans New Power.

* *English name is for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Service concession arrangements

The directors of the Company use judgements and estimates to assess whether an agreement and the relevant assets fall under service concession arrangements. As explained in note 3 to the consolidated financial statements, the Group recognises the fair value of the consideration received or receivable in exchange for the construction services and the intangible assets recognised under the BOT arrangements. However, judgements are exercised in determining the fair values of the consideration received or receivables, using the cost-plus margin method with reference to the market comparables with similar services performed.

The directors of the Company determined that the fair value of the consideration received or receivables from the construction services under BOT arrangements are approximately RMB26,692,000 (2015: nil) and intangible assets – service charging concession rights of approximately RMB26,692,000 (2015: nil) have been recognised under BOT arrangements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of intangible assets

At the end of the reporting period, the directors of the Company review the carrying amounts of its intangible assets with finite useful lives of approximately RMB25,300,000 (2015: RMB180,000) and identified there is indication that those assets may suffer an impairment loss. Accordingly, the recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amounts of the assets require the use of assumptions such as profit forecasts, cash flow projections and discount rates. Based on the estimated recoverable amounts, no impairment loss has been recognised for the year ended 31 December 2016 (2015: nil).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2015, the carrying amount of goodwill is nil, net of accumulated impairment loss of approximately RMB642,000. Details of the recoverable amount calculation at 31 December 2015 are disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Income taxes

As at 31 December 2016, a deferred tax asset of approximately RMB7,177,000 (2015: RMB8,836,000) in relation to deductible temporary difference of allowance for impairment loss of trade receivables of approximately RMB47,851,000 (2015: RMB58,912,000) has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the remaining deductible temporary difference of (i) allowance for impairment loss of trade and other receivables of approximately RMB15,771,000 (2015: RMB17,616,000); and (ii) un-used tax losses amounting to approximately RMB39,143,000 (2015: RMB25,868,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

Impairment of trade and other receivables

The Group performs ongoing credit evaluation of its customers and other debtors and adjusts credit limits based on past repayment history of individual customers and other debtors and their current credit-worthiness, as determined by a review of their current credit information. The Group continuously monitors collections and payments from its customers and other debtors and maintain a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has identified.

An ageing analysis of the trade and other receivables is prepared on a regular basis and is closely monitored to minimise the credit risk associated with the receivables. The Group pursues full repayment if trade receivables aged over 90 days or above or factoring of receivables is arranged for non-recovery of these receivable balances.

Allowance for impairment loss of trade and other receivables is made for the estimated irrecoverable amounts, with reference to (i) the past repayment history and credit-worthiness of the individual customers as mentioned above; and (ii) the individual customer's financial strength. Allowance for impairment loss of trade receivables is made to the customers when the credit quality of these customers deteriorated with no repayment history being identified in the past two years.

As at 31 December 2016, the carrying amount of trade and bills receivables is approximately RMB228,365,000 (2015: RMB331,730,000) (net of allowance for impairment of trade receivables of approximately RMB63,622,000 (2015: RMB76,528,000)). Allowance for impairment loss of trade receivables of approximately RMB17,854,000 has been recognised for the year ended 31 December 2016 (2015: RMB43,696,000). Reversal of impairment loss recognised in respect of trade receivables of approximately RMB30,760,000 has been recognised for the year ended 31 December 2016 (2015: RMB23,320,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of trade and other receivables (continued)

As at 31 December 2016, the carrying amount of other receivables is approximately RMB23,477,000 (2015: RMB20,444,000). No impairment loss was recognised during the years ended 31 December 2016 and 2015.

Impairment of prepayments to suppliers

At the end of the reporting period, the directors of the Company review the carrying amount of the prepayments to suppliers of approximately RMB32,599,000 (2015: RMB32,284,000) and identify if there is impairment indication for the prepayments to suppliers. Accordingly, the recoverable amounts of the prepayments to suppliers are estimated in order to determine the extent of the impairment loss. The estimates of the recoverable amount of the prepayments to suppliers require the use of assumptions such as utilisation rate of the prepayments to suppliers subsequently to the end of the reporting period or refund from the suppliers subsequently as a result of the inability of filling up of the purchase orders. As at 31 December 2015, based on the estimated recoverable amount, impairment loss on prepayment of approximately RMB4,650,000 has been recognised as a result of the financial difficulties of the suppliers for the refund of the prepayment. Reversal of impairment loss recognised in respect of prepayment of approximately RMB4,650,000 has been recognised during the year ended 31 December 2016 as a result of subsequent recovery through legal action.

Depreciation and useful lives of property, plant and equipment

At the end of each reporting period, the directors of the Company review and determine the estimated useful lives, residual values and related depreciation charges of property, plant and equipment, with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. The directors of the Company will revise the residual value, depreciation charge and the useful lives of the property, plant and equipment previously estimated, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable lives and residual lives and therefore depreciation charges in the future periods. As at 31 December 2016, there is no revision of the estimated useful lives, residual values and the related depreciation charges of the property, plant and equipment with carrying amount of approximately RMB26,550,000 (2015: RMB29,688,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment of property, plant and equipment and prepaid lease payments

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and prepaid lease payments of approximately RMB26,550,000 (2015: RMB29,688,000) and RMB8,925,000 (2015: RMB9,237,000) and identified if there is any indication for possible impairment of property, plant and equipment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In assessing whether there is any indication that the property, plant and equipment and prepaid lease payments may be impaired, the Group has considered the existence of external and internal source of information including but not limited to economic performance of each cash-generating unit of the Group. The directors of the Company considered that they were not aware of any impairment indication at 31 December 2016 and 2015, which the recoverable amounts of property, plant and equipment and prepaid lease payment were subject to impairment testing. At 31 December 2016, no impairment loss has been recognised in respect of the property, plant and equipment and prepaid lease payments (2015: nil).

Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the future cash flows expected to arise from the associates in order to calculate the recoverable amounts. Where the estimated future cash flows are less than expected, a material impairment loss may arise. At 31 December 2016, the carrying amount of interests in associates is approximately RMB12,094,000 (2015: RMB706,000). No impairment loss was recognised during the years ended 31 December 2016 and 2015.

Allowance for inventories

The Group does not have a general allowance policy on inventories based on ageing given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. The Group's sales and marketing managers review the inventory ageing analysis on a periodical basis in order to determine whether allowance need to be made in respect of any obsolete and defective inventories identified, and estimate the net realisable value based primarily on the latest sales unit prices and current market conditions. As at 31 December 2016, the carrying amount of inventories is approximately RMB97,893,000 (2015: RMB89,717,000). No allowance for inventories was recognised during the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value measurement and valuation process of available-for-sale financial assets

The Group's available-for-sale financial assets are measured at fair value at the end of each reporting period.

In estimating the fair value of the available-for-sale financial assets of approximately RMB14,828,000 (2015: RMB3,074,000) and available-for-sale financial asset classified under asset classified as held for sale of approximately RMB137,100,000 (2015: nil), the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of available-for-sale financial assets. Note 36(c) provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of the available-for-sale financial assets.

Fair value of derivative financial instruments

As described in note 36(c), the directors of the Company use their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. If the inputs and estimates applied in the model are different, the carrying amount of these derivatives may change. The carrying amount of the derivative financial assets and financial liabilities as at 31 December 2016 were approximately RMB13,331,000 (2015: nil) and RMB22,200,000 (2015: nil). The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of derivative financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

5. REVENUE

Revenue represents the amounts arising on (i) sales of electric products including direct current power system, plug and switch system products, power monitoring and management equipment and charging equipment for electric vehicles; (ii) construction revenue under BOT arrangements; (iii) provision of charging services for electric vehicles; (iv) sales of electric vehicles; and (v) rental income from the operating leases of electric vehicles.

An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	RMB'000
Sales of electric products	**257,805**	193,998
Construction revenue under BOT arrangements	**26,692**	–
Provision of charging services for electric vehicles	**2,552**	52
Sales of electric vehicles	**2,080**	1,832
Rental income from operating leases of electric vehicles	**169**	20
	289,298	195,902

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The directors of the Company have chosen to organise the Group around differences in products and service lines.

The Group's reporting segments under HKFRS 8 are as follows:

(i) DC Power System – Manufacturing and sales of direct current power system

(ii) Charging Equipment – Manufacturing and sales of charging equipment for electric vehicles

(iii) Charging Services and Construction – Provision of charging services for electric vehicles and construction services of charging poles for electric vehicles under BOT arrangements

(iv) Others – Including three operating segments namely (i) PASS Products – sales of plug and switch system products; (ii) Power Monitoring – sales of power monitoring and management equipment; and (iii) Electric Vehicles – sales and leases of electric vehicles

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

The Group's construction revenue under BOT arrangements was introduced in the current year as a result of the establishment of a non-wholly owned subsidiary, Shaoguan Yilian New Energy Vehicles Operation and Services Company Ltd.* ("Shaoguan Yilian") (韶關市驛聯新能源汽車運營服務有限公司). As the nature of the services provided by the newly introduced business is similar with the segment "Charging Services", both business operations have been aggregated into one operating segment and renamed as "Charging Services and Construction" as determined by the CODM from the year ended 31 December 2016.

Segment revenues and results

The following is an analysis of the Group's revenue and the results by reportable and operating segments.

Year ended 31 December 2016

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	83,282	174,523	29,244	2,249	289,298
Segment profit	49,021	40,135	8,563	606	98,325
Unallocated other revenue					13,514
Impairment loss recognised in respect of available-for-sale financial asset					(1,983)
Loss on disposal of subsidiaries					(575)
Gain on disposal of an associate					5,138
Gain on disposal of available-for-sale financial asset					87
Share of results of associates					(521)
Net fair value gain on derivative components of the convertible notes					10,111
Unallocated head office and corporate expenses					(100,484)
Finance costs					(12,659)
Profit before tax					10,953

* *English name is for identification purpose only.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

Year ended 31 December 2015

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Total RMB'000
Segment revenue	68,699	122,582	52	4,569	195,902
Segment profit (loss)	12,445	24,477	7	(25)	36,904
Unallocated other revenue					25,222
Impairment loss recognised in respect of available-for-sale financial asset					(4,192)
Gain on disposal of an associate					2,655
Share of results of associates					1,832
Loss on deemed disposal of an associate					(112)
Unallocated head office and corporate expenses					(84,905)
Finance costs					(7,736)
Loss before tax					(30,332)

Note: All of the segment revenue reported above is from external customers.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of certain other revenue, impairment loss recognised in respect of available-for-sale financial asset, loss on disposal of subsidiaries, gain on disposal of an associate, loss on deemed disposal of an associate, gain on disposal of available-for-sale financial asset, share of results of associates, net fair value gain on derivative components of the convertibles notes, central administrative cost, directors' emoluments and finance cost. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets	**2016** **RMB'000**	2015 RMB'000
DC Power System	**120,150**	232,014
Charging Equipment	**242,275**	239,558
Charging Services and Construction	**53,871**	1,720
Others	**7,213**	21,151
Total segment assets	**423,509**	494,443
Assets classified as held for sale	**165,100**	28,000
Unallocated	**378,299**	209,133
Consolidated assets	**966,908**	731,576

Segment liabilities	**2016** **RMB'000**	2015 RMB'000
DC Power System	**22,186**	32,558
Charging Equipment	**46,308**	54,759
Charging Services and Construction	**6,813**	334
Others	**499**	4,104
Total segment liabilities	**75,806**	91,755
Unallocated	**306,060**	162,034
Consolidated liabilities	**381,866**	253,789

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than deposit paid for the acquisition of available-for-sale financial asset, prepayment for the construction of property, plant and equipment, interests in associates, redemption option derivative of the convertible notes, available-for-sale financial assets, deferred tax assets, deposits and other receivables, restricted bank balances, short-term bank deposits, bank balances and cash and assets classified as held for sale; and

- all liabilities are allocated to operating segments other than accruals and other payables, amounts due to non-controlling shareholders of subsidiaries, conversion option derivative of the convertible notes, tax payable, bank borrowings, convertible notes and deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2016

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	536	8,731	26,692	3,441	–	39,400
Allowance for impairment loss recognised in respect of trade receivables	17,373	481	–	–	–	17,854
Reversal of impairment loss recognised in respect of trade receivables	(30,760)	–	–	–	–	(30,760)
Reversal of impairment loss recognised in respect of prepayment	–	(4,650)	–	–	–	(4,650)
Loss on disposal of property, plant and equipment	242	–	–	–	–	242
Depreciation and amortisation	4,009	8,203	1,452	–	–	13,664
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	12,094	12,094
Prepayment for the construction of property, plant and equipment	–	–	–	–	15,000	15,000
Available-for-sale financial assets	–	–	–	–	14,828	14,828
Share of results of associates	–	–	–	–	521	521
Gain on disposal of an associate	–	–	–	–	(5,138)	(5,138)
Loss on disposal of subsidiaries	–	–	–	–	575	575
Gain on disposal of available-for-sale financial asset	–	–	–	–	(87)	(87)
Impairment loss recognised in respect of available-for-sale financial asset	–	–	–	–	1,983	1,983
Bank interest income	–	–	–	–	(688)	(688)
Finance costs	–	–	–	–	12,659	12,659
Income tax expense	–	–	–	–	5,998	5,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2015

	DC Power System RMB'000	Charging Equipment RMB'000	Charging Services and Construction RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets *(note)*	4,018	8,084	328	7,720	–	20,150
Allowance for impairment loss recognised in respect of trade receivables	43,355	341	–	–	–	43,696
Reversal of impairment loss recognised in respect of trade receivables	(23,133)	(187)	–	–	–	(23,320)
Impairment loss on goodwill	–	642	–	–	–	642
Impairment loss on prepayment	–	4,650	–	–	–	4,650
Gain on disposal of property, plant and equipment	(22)	–	–	–	–	(22)
Depreciation and amortisation	3,093	5,529	13	600	–	9,235
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:						
Interests in associates	–	–	–	–	706	706
Deposit paid for the acquisition of available-for-sale financial asset	–	–	–	–	5,000	5,000
Available-for-sale financial assets	–	–	–	–	3,074	3,074
Share of results of associates	–	–	–	–	(1,832)	(1,832)
Gain on disposal of an associate	–	–	–	–	(2,655)	(2,655)
Loss on deemed disposal of an associate	–	–	–	–	112	112
Impairment loss recognised in respect of available-for-sale financial asset	–	–	–	–	4,192	4,192
Bank interest income	–	–	–	–	(1,835)	(1,835)
Finance costs	–	–	–	–	7,736	7,736
Income tax credit	–	–	–	–	(2,589)	(2,589)

Note: Non-current assets excluded deposit paid for acquisition of available-for-sale financial asset, prepayment for the construction of property, plant and equipment, interests in associates, available-for-sale financial assets and deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

6. SEGMENT INFORMATION (continued)

Revenue from major products

No revenue from major products is presented as the products of the Group are specific to the customers' request and no major product identified by the directors of the Company.

Geographical information

No geographical information is presented as all revenue from external customers of the Group is derived from and all non-current assets of the Group are located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2016	2015
	RMB'000	RMB'000
Customer A[1]	**32,219**	N/A[2]

[1] Revenue from Charging Equipment

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year

* *English name is for identification purpose only*

7. OTHER REVENUE

	2016	2015
	RMB'000	RMB'000
Value added tax ("VAT") refunds *(note (a))*	**9,219**	7,669
Bank interest income	**688**	1,835
Gain on disposal of property, plant and equipment	**–**	22
Government grants *(note (b))*	**2,029**	14,360
Dividend from available-for-sale financial asset	**362**	–
Rental income	**162**	190
Net exchange gain	**997**	1,129
Other income	**57**	39
	13,514	25,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

7. OTHER REVENUE (continued)

Notes:

(a) VAT refunds represent the refund of VAT charged on qualified sales of electric products by the PRC tax bureau.

(b) Included in government grants are subsidies of approximately RMB2,029,000 (2015: RMB14,238,000) received from Zhuhai Finance Bureau ("珠海市財政局"), Department of Finance of Guangdong Province ("廣東省財政廳") and The Ministry of Science and Technology of the People's Republic of China ("中華人民共和國科學技術部") regarding the research and development on technology innovation of which there are no unfulfilled conditions or contingencies relating to those subsidies and recognised upon receipts during the years ended 31 December 2016 and 2015.

8. FINANCE COSTS

	2016 **RMB'000**	2015 RMB'000
Effective interest expense on the convertible notes *(note 30)*	**10,492**	–
Interest on:		
Bank borrowings	**1,558**	5,079
Factoring charges on trade receivables	**609**	2,657
	12,659	7,736

9. INCOME TAX EXPENSE (CREDIT)

	2016 **RMB'000**	2015 RMB'000
PRC Enterprise Income Tax ("EIT")		
Current year	**4,136**	351
Deferred tax *(note 32):*		
Current year	**1,862**	(2,940)
	5,998	(2,589)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

9. INCOME TAX EXPENSE (CREDIT) (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries other than Titans Technology is 25% from 1 January 2008 onwards.

Titans Technology was established in Zhuhai, the special economic zone, and the income tax rate applicable to Titans Technology was 15% pursuant to the relevant PRC laws in 2007. Titans Technology was recognised as High and New Technology Enterprises by Department of Science and Technology of Guangdong Province since 2008 and the income tax rate applicable to them is 15% for the years ended 31 December 2016 and 2015. No provision for the PRC EIT for Titans Technology has been made for the year ended 31 December 2015 as the assessable profits have been fully absorbed by the tax losses brought forward. Provision for the PRC EIT for Titans Technology has been made for the year ended 31 December 2016 under the applicable tax rate of 15%.

The income tax expense (credit) for the years can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	RMB'000	RMB'000
Profit (loss) before tax	**10,953**	(30,332)
Tax at the applicable income tax rate of 15% (2015: 15%) *(note)*	**1,643**	(4,550)
Tax effect of expenses not deductible for tax purpose	**4,561**	2,921
Tax effect of income not taxable for tax purpose	**(2,742)**	(204)
Tax effect of share of results of associates	**130**	(458)
Tax effect of tax losses not recognised	**5,022**	2,214
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	**(426)**	185
Tax effect of deductible temporary difference not recognised	**179**	980
Utilisation of deductible temporary difference previously not recognised	**(640)**	(600)
Utilisation of tax losses previously not recognised	**(220)**	(1,871)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	**(1,509)**	(1,206)
Income tax expense (credit)	**5,998**	(2,589)

Note: The PRC EIT of 15% applicable to Titans Technology is used as it is the domestic tax rate where the results and operation of the Group is substantially derived from.

Details of deferred taxation are set out in note 32.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

10. PROFIT (LOSS) FOR THE YEAR

	2016	2015
	RMB'000	RMB'000
Profit (loss) for the year have been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(note 11)*	**1,339**	1,314
Other staff:		
– salaries and other allowances	**54,490**	38,906
– retirement benefits scheme contributions (excluding directors)	**5,243**	4,615
Total staff costs	**61,072**	44,835
Amortisation of intangible assets	**1,572**	120
Amortisation of prepaid lease payments	**312**	130
Auditors' remuneration	**1,066**	967
Net exchange gain	**(997)**	(1,129)
Cost of inventories recognised as an expense	**176,499**	124,080
Depreciation of property, plant and equipment	**11,780**	8,985
Loss (gain) on disposal of property, plant and equipment	**242**	(22)
Minimum lease payment paid under operating lease rentals in respect of rented premises	**2,888**	2,822
Research and development expenses (included in administrative and other expenses) *(note)*	**25,387**	25,832

Note: Research and development expenses included staff costs and depreciation of property, plant and equipment for the purpose of research and development activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

The emoluments paid or payable to each of the five (2015: six) directors and the chief executive were as follows:

For the year ended 31 December 2016

	Executive directors		Independent non-executive directors			
	Li Xin Qing RMB'000	**An Wei RMB'000**	**Li Wan Jun RMB'000**	**Zhang Bo RMB'000**	**Pang Zhan RMB'000**	**Total RMB'000**
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:						
Fees	**–**	**–**	**103**	**103**	**103**	**309**
Salaries	**498**	**498**	**–**	**–**	**–**	**996**
Contributions to retirement benefits schemes	**17**	**17**	**–**	**–**	**–**	**34**
Total emoluments	**515**	**515**	**103**	**103**	**103**	**1,339**

For the year ended 31 December 2015

	Executive directors		Independent non-executive directors				
	Li Xin Qing RMB'000	An Wei RMB'000	Li Wan Jun RMB'000	Yu Zhou Ping (retired on 22 May 2015) RMB'000	Zhang Bo RMB'000	Pang Zhan (appointed on 16 April 2015) RMB'000	Total RMB'000
Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:							
Fees	–	–	96	24	96	72	288
Salaries	496	496	–	–	–	–	992
Contributions to retirement benefits schemes	17	17	–	–	–	–	34
Total emoluments	513	513	96	24	96	72	1,314

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

11. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (continued)

Mr. An Wei and Mr. Li Xin Qing are also the chief executives of the Company and their emoluments disclosed above include those for services rendered by them as the chief executives.

No directors waived or agreed to waive any of their emoluments during the years ended 31 December 2016 and 2015.

No emoluments were paid by the Group to any directors or any chief executives of the Group as an inducement to join or upon joining the Group, or as compensation for loss of office for the years ended 31 December 2016 and 2015.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2015: two) were directors and the chief executives of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2015: three) individuals were as follows:

	2016 **RMB'000**	2015 RMB'000
Salaries and other allowances	**917**	781
Discretionary bonus *(note)*	**26**	24
Contributions to retirement benefits scheme	**28**	28
	971	833

Note: Discretionary bonus was determined with the Group's operating results, individual performance and comparable market statistics.

The emoluments of the remaining individuals are within the band of nil to Hong Kong dollars ("HK$") 1,000,000 (equivalent to approximately RMB862,000 (2015: nil to HK$1,000,000 (equivalent to RMB838,000)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	2016	2015
	RMB'000	RMB'000
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share	**7,279**	(26,061)

Number of shares

	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**925,056**	856,933

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in an increase in earnings per share.

The computation of diluted loss per share for the year ended 31 December 2015 did not assume the conversion of the Company's share options since their exercise would result in a decrease in loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2015	16,144	14,340	13,869	3,890	13,642	61,885
Additions	–	–	1,106	7,720	1,957	10,783
Disposals	–	–	(246)	(411)	(9)	(666)
At 31 December 2015	16,144	14,340	14,729	11,199	15,590	72,002
Additions	–	–	2,119	3,441	7,148	12,708
Disposals	(461)	–	(789)	(437)	(1,422)	(3,109)
Disposal of subsidiaries *(note 37)*	–	–	(1,358)	(432)	(2,790)	(4,580)
Transfer *(note)*	–	–	–	(1,900)	–	(1,900)
At 31 December 2016	15,683	14,340	14,701	11,871	18,526	75,121
ACCUMULATED DEPRECIATION						
At 1 January 2015	11,633	6,091	7,064	2,303	6,834	33,925
Provided for the year	855	2,725	2,078	917	2,410	8,985
Eliminated on disposals	–	–	(226)	(369)	(1)	(596)
At 31 December 2015	12,488	8,816	8,916	2,851	9,243	42,314
Provided for the year	707	2,725	2,279	2,455	3,614	11,780
Eliminated on disposals	(414)	–	(232)	(289)	(1,132)	(2,067)
Disposals of subsidiaries *(note 37)*	–	–	(987)	(69)	(1,946)	(3,002)
Transfer *(note)*	–	–	–	(454)	–	(454)
At 31 December 2016	**12,781**	**11,541**	**9,976**	**4,494**	**9,779**	**48,571**
CARRYING VALUES						
31 December 2016	**2,902**	**2,799**	**4,725**	**7,377**	**8,747**	**26,550**
31 December 2015	3,656	5,524	5,813	8,348	6,347	29,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land and buildings are located in the PRC.

The above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account their estimated residual value, at the following rates per annum:

Leasehold land and buildings	4.5%
Leasehold improvements	over the shorter of the term of the lease, or 5 years
Furniture, fixtures and equipment	18 – 19%
Motor vehicles	18 – 19%
Plant and machinery	18 – 19%

As at 31 December 2016, the Group has pledged its leasehold land and buildings with carrying values of approximately RMB2,902,000 (2015: RMB3,608,000) to secure banking facilities granted to the Group. Details of bank borrowings are set out in note 29.

Note: During the year ended 31 December 2016, motor vehicles with aggregate carrying amount of approximately RMB1,446,000 (2015: nil) has been transferred to inventories since the motor vehicles held for rental to others have been subsequently sold after change of usage as held for sale.

16. PREPAID LEASE PAYMENTS

	2016	2015
	RMB'000	RMB'000
Leasehold land held in the PRC and are analysed for reporting purposes as follows:		
Current assets	**312**	312
Non-current assets	**8,613**	8,925
	8,925	9,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

17. GOODWILL

	RMB'000
COST	
At 1 January 2015, 31 December 2015, 1 January 2016	642
Disposal of a subsidiary *(note 37 (b))*	(642)
At 31 December 2016	–
IMPAIRMENT	
At 1 January 2015	–
Impairment loss recognised during the year	642
At 31 December 2015, 1 January 2016	642
Eliminated on disposal of a subsidiary *(note 37 (b))*	(642)
At 31 December 2016	–
CARRYING AMOUNT	
At 31 December 2016	**–**
At 31 December 2015	–

17. GOODWILL (continued)

Impairment testing on goodwill

For the purposes of impairment testing, goodwill set out above has been allocated to one individual cash-generating unit, comprising one subsidiary acquired in 2014 which is engaged in Charging Equipment business.

During the year ended 31 December 2015, management of the Group recognised an impairment loss of approximately RMB642,000 in respect of the excess of the carrying amount of the cash-generating unit (including goodwill) over the recoverable amount of the cash-generating unit as a result of the loss making status of the related cash-generating unit for the year ended 31 December 2015. The goodwill was fully impaired in 2015.

The basis of the recoverable amount of the above cash-generating unit at 31 December 2015 and its major underlying assumptions are summarised below:

Subsidiary – Shenzhen Heimt Technology Co., Ltd* 深圳市瀚美特科技有限公司 ("SZ Heimt")

The recoverable amount of this unit is RMB2,977,000 and has been determined based on a value in use calculation. That calculation uses cash flow projection based on financial budgets approved by management covering a 5-year period, and discount rate of 19.85%, with reference to the discount rate adopted by the comparable companies within the industry. The cash-generating unit's cash flows beyond 5-year period are extrapolated using 3% growth rate. The growth rate is based on the inflation rate of the PRC of previous years. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the cash-generating unit to exceed the aggregate recoverable amount of the cash-generating unit.

The goodwill has been derecognised upon disposal of SZ Heimt as disclosed in note 37(b).

* *English name is for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

18. INTANGIBLE ASSETS

	Technical know-how RMB'000 *(note (i))*	Charging services concession rights RMB'000 *(note (ii))*	Total RMB'000
COST			
At 1 January 2015 and 31 December 2015	3,000	–	3,000
Additions	–	26,692	26,692
At 31 December 2016	3,000	26,692	29,692
AMORTISATION			
At 1 January 2015	2,700	–	2,700
Charge for the year	120	–	120
At 31 December 2015	2,820	–	2,820
Charge for the year	120	1,452	1,572
At 31 December 2016	2,940	1,452	4,392
CARRYING VALUES			
At 31 December 2016	**60**	**25,240**	**25,300**
At 31 December 2015	180	–	180

Notes:

(i) The technical know-how acquired from independent third parties has finite useful life. It is amortised on the straight-line basis over the estimated useful lives of 7 or 10 years.

(ii) The charging services concession rights were recognised under two BOT arrangements during the year ended 31 December 2016 as disclosed in note 33 and amortised on the straight-line basis with estimated useful lives of 8 or 10 years, in accordance to the period of concession rights granted by the grantors.

For the BOT arrangement in Shaoguan, the charging services concession right for an exclusive period of 8 years with initial cost of approximately RMB20,912,000 was recognised. During the year ended 31 December 2016, amortisation expense of approximately RMB1,307,000 has been recognised.

For the BOT arrangement in Baoding, the charging services concession right for an exclusive period of 10 years with initial cost of approximately RMB5,780,000 was recognised. During the year ended 31 December 2016, amortisation expense of approximately RMB145,000 has been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000
Cost of investment in unlisted associates	**13,100**	1,250
Share of post-acquisition results, net of dividend received	**(1,006)**	(544)
	12,094	706

(i) Acquisition of 20% equity interest in Beijing Aimeisen

On 2 March 2015, the Group acquired 20% equity interest in Beijing Aimeisen from an independent third party, with a consideration of RMB1,250,000. After the acquisition, Beijing Aimeisen became one of the associates of the Group and has been accounted for using equity method.

(ii) Disposal of 35% equity interest in Beijing Hua Shang Clear New Energy Technology Co., Limited* (北京華商三優新能源科技有限公司) ("Beijing Hua Shang")

On 30 March 2015, the Group disposed of its holding of 35% equity interest in Beijing Hua Shang to an independent third party at a consideration of RMB25,430,000. Gain on disposal of an associate of approximately RMB2,655,000 has been recognised for the year ended 31 December 2015.

(iii) Deemed disposal of an associate, Titans New Power

On 20 October 2015, capital injection from an independent third party with RMB6,000,000 was made to Titans New Power. The paid-up capital of Titans New Power has been increased from RMB3,000,000 to RMB9,000,000 after the capital injection. As a result of the capital injection, the Group's interest in the Titans New Power has been diluted from 30% to 10% and the Group has lost its significant influence over Titans New Power and Titans New Power was reclassified from interest in an associate to available-for-sale financial asset carried at fair value. Loss on deemed disposal of an associate of approximately RMB112,000 has been recognised for the year ended 31 December 2015.

(iv) Establishment of Beijing Pangda Yilian New Energy Technology Co., Limited* (北京龐大驛聯新能源科技有限公司) ("Pangda Yilian")

On 1 April 2016, the subsidiary of the Company and an independent third party has established a PRC company, Pangda Yilian, with total paid-up capital of RMB15,000,000. RMB5,250,000 has been contributed by the subsidiary of the Company, representing 35% equity interest in Pangda Yilian. After the completion of the capital contribution, Pangda Yilian became one of the associates of the Group and has been accounted for using equity method.

* *English name is for identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

(v) Disposal of 25.5% equity interest in Sichuan Titans Haote New Energy Motor Co., Limited* (四川泰坦豪特新能源汽車有限公司) ("Sichuan Haote")

On 1 June 2016, the Group entered into a sale and purchase agreement with an independent third party for the disposal of 25.5% equity interest in a non-wholly owned subsidiary, Sichuan Haote at a cash consideration of RMB1,102,000. After the completion of the disposal on 29 June 2016, the Group's equity interest in Sichuan Haote has been decreased from 51% to 25.5%. As a result, the Group has lost its control over Sichuan Haote and Sichuan Haote was reclassified from a subsidiary of the Company to an associate of the Company. Gain on disposal of a subsidiary of approximately RMB481,000 has been recognised for the year ended 31 December 2016 as disclosed in note 37(a). On 31 August 2016, the Group disposed all of its holding of 25.5% equity interest in Sichuan Haote, in exchange for 957,913 ordinary shares, representing approximately 3.6% equity interest in Sichuan Haote Precision Equipment Limited* (四川豪特精工裝備股份有限公司) ("Haote Precision"), a listed company in the PRC. Gain on disposal of an associate of approximately RMB5,138,000 has been recognised for the year ended 31 December 2016.

(vi) Establishment of Changsha Xiandao Technology Development Co. Ltd.* (長沙先導快線科技發展有限公司) ("Changsha Xiandao")

On 30 November 2016, a subsidiary of the Company which 80% equity interest was held by the Company, entered into an agreement with an independent third party to establish a PRC company, Changsha Xiandao, with total paid-up capital of RMB20,000,000. RMB6,600,000 has been contributed by the subsidiary of the Company, representing 26.4% equity interest in Changsha Xiandao. After the completion of the capital contribution, Changsha Xiandao became one of the associates of the Group and has been accounted for using equity method.

As at 31 December 2016 and 2015, the Group had interests in the following associates:

Name of entity	Form of entity	Place of establishment/ operation	Class of shares held	Proportion of ownership interests indirectly held by the Group		Proportion of voting power held		Principal activities
				2016	2015	**2016**	2015	
Beijing Aimeisen	Registered	The PRC	Contributed capital	**20%**	20%	**20%**	20% (note)	Research and development of charging equipment
Pangda Yilian	Registered	The PRC	Contributed capital	**35%**	–	**35%**	–	Research and development of charging equipment
Changsha Xiandao	Registered	The PRC	Contributed capital	**26.4%**	–	**26.4%**	–	Research and development of charging equipment

* *English name is for identification purpose only*

Note: The Group is able to exercise significant influence over Beijing Aimeisen because it has the power to appoint one out of the three directors of that company under the provisions stated in the Article of Association of Beijing Aimeisen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

The summarised financial information in respect of each of the associates that is material to the Group and is accounted for using equity method is set out below.

Beijing Aimeisen

	RMB'000
Net assets of the associate at acquisition date	5,226
Proportion of the Group's ownership interest in Beijing Aimeisen	20%
Goodwill	205
Consideration of the Group's interest in Beijing Aimeisen at acquisition date	1,250

	2016 RMB'000	2015 RMB'000
Current assets	**6,449**	5,232
Non-current assets	**221**	374
Current liabilities	**4,013**	3,101

	Year ended 31 December 2016 RMB'000	Period from 3 March 2015 to 31 December 2015 RMB'000
Revenue for the year ended 31 December 2016 / period from 3 March 2015 to 31 December 2015	**604**	393
Profit (loss) and total comprehensive income (expense) for the year ended 31 December 2016 / period from 3 March 2015 to 31 December 2015	**152**	(2,721)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interests in the associates is set out below: (continued)

Beijing Aimeisen (continued)

	2016 **RMB'000**	2015 RMB'000
Net assets of Beijing Aimeisen	**2,657**	2,505
Proportion of the Group's ownership interest in Beijing Aimeisen	**20%**	20%
Goodwill	**205**	205
Carrying amount of the Group's interest in Beijing Aimeisen	**736**	706

Pangda Yillian

	2016 **RMB'000**
Cost of investment in Pangda Yilian	**5,250**

	2016 **RMB'000**
Current assets	**8,600**
Non-current assets	**17,544**
Current liabilities	**1,881**
Non-current liabilities	**10,589**

	Period from 1 April 2016 to 31 December 2016 **RMB'000**
Revenue for the period from 1 April 2016 to 31 December 2016	**913**
Loss and total comprehensive expense for the period from 1 April 2016 to 31 December 2016	**(1,326)**

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For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

Pangda Yillian (continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Pangda Yillian is set out below:

	2016 RMB'000
Net assets of Pangda Yilian	13,674
Proportion of the Group's ownership interest in Pangda Yilian	35%
Carrying amount of the Group's interest in Pangda Yilian	4,786

Changsha Xiandao

	2016 RMB'000
Cost of investment in Changsha Xiandao	6,600

	2016 RMB'000
Current assets	24,904
Current liabilities	10

	Period from 30 November 2016 to 31 December 2016 RMB'000
Revenue for the period from 30 November 2016 to 31 December 2016	–
Loss and total comprehensive expense for the period from 30 November 2016 to 31 December 2016	(106)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

Changsha Xiandao (continued)

The reconciliation of the summarised financial information presented above to the carrying amount of the interest in Changsha Xiandao is set out below:

	2016 **RMB'000**
Net assets of Changsha Xiandao	**24,894**
Proportion of the Group's ownership interest in Changsha Xiandao	**26.4%**
Carrying amount of the Group's interest in Changsha Xiandao	**6,572**

Gain on disposal of an associate recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 is as follows:

Beijing Hua Shang

	2015 RMB'000
Carrying amount of the Group's interest in Beijing Hua Shang as at 1 January 2015	37,892
Share of result for the period from 1 January 2015 to the date of loss of significant influence	2,328
Dividend received from Beijing Hua Shang during the period from 1 January 2015 to the date of loss of significant influence	(17,445)
Carrying amount of 35% equity interest on the date of loss of significant influence	22,775
Consideration	25,430
Gain on disposal of interest in Beijing Hua Shang	2,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

19. INTERESTS IN ASSOCIATES (continued)

Gain on disposal of an associate recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016 is as follows:

Sichuan Haote

	2016 **RMB'000**
Fair value of the Group's interest in Sichuan Haote as at 29 June 2016 *(note 37 (a))*	**621**
Share of result for the period from 29 June 2016 to the date of loss of significant influence	**(59)**
Carrying amount of interest in Sichuan Haote at the date of loss of significant influence	**562**
Consideration of 957,913 shares of Haote Precision (RMB5.95 per share)	**5,700**
Gain on disposal of interest in Sichuan Haote	**5,138**

Loss on deemed disposal of an associate recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 is as follows:

Titans New Power

	2015 RMB'000
Carrying amount of the Group's interest in Titans New Power as at 1 January 2015	390
Capital contribution to Titans New Power *(note)*	600
Share of result for the period from 1 January 2015 to the date of loss of significant influence on 20 October 2015	48
Carrying amount of 10% equity interest at the date of loss significant influence	1,038
Fair value of 10% equity interest at the date of loss of significant influence	926
Loss on deemed disposal of interest in Titans New Power	(112)

Note: On 31 January 2015, capital injection of RMB600,000 was made from the Group to Titans New Power, while RMB1,400,000 was made from the then controlling shareholder of Titans New Power to Titans New Power. No change in shareholding was resulted from the capital injection as mentioned above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	RMB'000	RMB'000
Available-for-sale financial assets comprise:		
Investments:		
– Equity securities listed in the PRC	**3,717**	–
– Unlisted equity securities	**11,111**	3,074
	14,828	3,074

The above unlisted equity securities represent the investments in unlisted equity securities issued by the private entity in the PRC. They are measured at fair value at the end of the reporting period.

(i) Unlisted equity securities – Youke New Energy Technology Company Limited* (優科新能源科技有限公司) ("Youke New Energy")

On 20 October 2015, the Group was returned approximately 2.94% additional equity interest in Youke New Energy for the settlement of the remaining consideration receivable of approximately RMB3,675,000 from the disposal of 6% equity interest in Youke New Energy in 2013. The amount of the remaining consideration receivable of RMB3,675,000 has been recognised as initial cost on 22 October 2015.

Since there is prolong and significant decline in the fair value of Youke New Energy below its cost, impairment loss of approximately RMB4,192,000 has been recognised for the investment in unlisted equity securities of Youke New Energy for the year ended 31 December 2015. The carrying amount of the unlisted equity securities of Youke New Energy was approximately RMB2,148,000 at 31 December 2015.

On 30 September 2016, the Group disposed of its holding of 8.94% equity interest in Youke New Energy to an independent third party at a cash consideration of RMB2,235,000. Gain on disposal of available-for-sale financial asset of approximately RMB87,000 has been recognised for the year ended 31 December 2016.

(ii) Unlisted equity interest – Titans New Power

As a result of the dilution of equity interest in Titans New Power from 30% to 10% on 20 October 2015 as mentioned in note 19, the equity securities in Titans New Power has been classified as available-for-sale financial asset with fair value of approximately RMB926,000 determined based on the valuation technique as disclosed in note 36(c), at the date of deemed disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

(ii) Unlisted equity interest – Titans New Power (continued)

The Group committed to a sale plan with an independent third party, Wuxi Lead Intelligent Equipment Co., Ltd* (無錫先導智能裝備股份有限公司) ("Lead Intelligent"), a listed company in the PRC, on 30 November 2016 for the disposal of 10% equity interest in Titans New Power at a consideration consisted of (i) cash consideration of RMB60,750,000; and (ii) 2,185,108 shares of Lead Intelligent. As a result, Titans New Power was classified under assets classified as held for sale. Detail of the reclassification of an asset classified as held for sale is set out in note 26.

(iii) Unlisted equity interest – Beijing Shui Mu Hua Tong Technology Company Ltd.* (北京水木華通科技有限公司) ("Shui Mu Hua Tong")

In March 2016, the Group entered into a sale and purchase agreement with an independent third party to acquire 5% equity interest of Shui Mu Hua Tong at a cash consideration of RMB11,111,000. The purchase of 5% equity interest in Shui Mu Hua Tong has been completed on 29 June 2016.

(iv) Equity securities listed in the PRC – Haote Precision

As disclosed on note 19(v), the Group disposed of 25.5% equity interest in Sichuan Haote in exchange for 957,913 ordinary shares of Haote Precision at a share price of RMB5.95 per share, in which the Group holds approximately 3.6% equity interest of Haote Precision.

* *English name is for the identification purpose only*

21. INVENTORIES

	2016 **RMB'000**	2015 RMB'000
Raw materials	**9,735**	9,528
Work-in-progress	**13,120**	19,543
Finished goods	**75,038**	60,646
	97,893	89,717

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For the year ended 31 December 2016

22. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	**280,029**	406,111
Less: allowance for impairment loss of trade receivables	**(63,622)**	(76,528)
	216,407	329,583
Bills receivables	**11,958**	2,147
Total trade and bills receivables	**228,365**	331,730

The bills receivables as at 31 December 2016 were fallen within the aged group of 0-90 days and 91-180 days with approximately RMB2,958,000 (2015: RMB2,075,000) and RMB9,000,000 (2015: RMB72,000) respectively, based on the dates of delivery of goods.

Included in the balances of trade receivables as at 31 December 2016 were retention receivables of approximately RMB45,674,000 (2015: RMB43,562,000) of which approximately RMB40,126,000 and RMB5,548,000 (2015: RMB32,672,000 and RMB10,890,000) are aged 1-2 years and 2-3 years respectively.

The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables net of allowance for impairment of trade receivables presented based on the dates of delivery of goods or rendering services, which approximates the respective revenue recognition dates, at the end of the reporting period.

	2016 RMB'000	2015 RMB'000
0 – 90 days	**81,572**	104,822
91 – 180 days	**34,094**	40,484
181 – 365 days	**34,737**	39,874
1 – 2 years	**55,188**	104,387
2 – 3 years	**8,462**	35,108
Over 3 years	**2,354**	4,908
	216,407	329,583

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For the year ended 31 December 2016

22. TRADE AND BILLS RECEIVABLES (continued)

The Group allows an average credit period of 90 days (2015: 90 days) to its trade customers or 90 days (2015: 90 days) counted from the due date of each of their installment payments pursuant to the sales contracts. Installment payments are separated into initial deposit payment which falls due upon signing of sales contracts, payment after installation and testing and retention money which falls due from the end of the product quality assurance period. These state-owned enterprises repay their outstanding balances upon the completion of their constructions in accordance with the industry practice in the PRC.

Before accepting any new customer, the Group assesses the credit quality of the potential customers with reference to the credit report and their financial strength and determines the credit terms and limits for them. The Group also regularly monitored the credit quality of the existing customers by established credit policies and procedures. The Group will adjust the credit limit to the existing customers with reference to the past repayment history and external credit source on the customers' financial strength.

The Group's trade receivables neither past due nor impaired mainly represent sales made to recognised and creditworthy customers with good repayment history. The Group regularly monitored the credit quality of these customers, who trade on credit terms.

At the end of the reporting period, the Group's trade receivables are individually assessed for impairment as disclosed in note 4. In view of the good repayment history from those major customers of the Group, the directors of the Company consider that there is no further allowance for impairment loss required in excess of the impairment loss recognised for each of the reporting period.

Included in the Group's trade and bills receivable balance as at 31 December 2016 were approximately RMB21,288,000 and RMB53,464,000 (2015: RMB26,383,000 and RMB83,074,000), representing 7.3% and 18.3% (2015: 6.5% and 20.3%) of the total trade and bills receivables before allowance for impairment loss of trade receivables, which were due from the Group's largest and top five customers, respectively.

Included in the Group's trade receivable balances were debtors with aggregate carrying amounts of approximately RMB134,835,000 (2015: RMB224,761,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts are still considered recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

22. TRADE AND BILLS RECEIVABLES (continued)

The ageing analysis of trade receivables which are past due but not impaired is set out below:

	2016 **RMB'000**	2015 RMB'000
Duration of past due		
0 – 90 days	**33,208**	40,484
91 – 180 days	**9,560**	10,226
181 – 365 days	**39,699**	61,795
1 – 2 years	**43,788**	95,568
2 – 3 years	**6,815**	12,651
Over 3 years	**1,765**	4,037
	134,835	224,761
Neither past due nor impaired	**81,572**	104,822
	216,407	329,583

The movement in the allowance for impairment loss of trade receivables is set out below:

	2016 **RMB'000**	2015 RMB'000
1 January	**76,528**	58,364
Allowance for impairment loss recognised in respect of trade receivables	**17,854**	43,696
Reversal of impairment loss recognised in respect of trade receivables	**(30,760)**	(23,320)
Amounts written off as uncollectible	**–**	(2,212)
31 December	**63,622**	76,528

As at 31 December 2016, included in the allowance for impairment loss of trade receivables are individually impaired trade receivables with an aggregate balance of approximately RMB63,622,000 (2015: RMB76,528,000) which have been placed in severe financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments to suppliers	**32,599**	36,934
Less: impairment loss recognised *(note (i))*	**–**	(4,650)
	32,599	32,284
Deposits and other receivables *(note (ii))*	**23,477**	20,444
Other prepayments	**1,702**	1,573
	57,778	54,301

Notes:

(i) The movement in the impairment loss of prepayments to suppliers is set out below:

	2016 RMB'000	2015 RMB'000
1 January	**4,650**	–
Impairment loss on prepayment	**–**	4,650
Reversal of impairment loss	**(4,650)**	–
31 December	**–**	4,650

(ii) During the year ended 31 December 2015, partial consideration receivables of RMB1,167,000 has been received by the Group and the remaining balance of RMB3,675,000 has been settled by approximately 2.94% equity interest in Youke New Energy which is classified as available-for-sale financial assets of the Group as disclosed in note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

24. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate is unsecured, interest-free and trading in nature.

The following is an ageing analysis of the amount due from an associate based on the dates of delivery of goods, which approximates the respective revenue recognition dates, at the end of the reporting period:

	2016	2015
	RMB'000	RMB'000
0 – 90 days	**–**	34
91 – 180 days	**–**	–
181 – 365 days	**2,175**	–
	2,175	34

The ageing analysis of the amount due from an associate which are past due but not impaired is set out below:

	2016	2015
	RMB'000	RMB'000
Duration of past due		
0 – 90 days	**–**	–
91 – 180 days	**544**	–
181 – 365 days	**1,631**	–
	2,175	–
Neither past due nor impaired	**–**	34
	2,175	34

The Group allows an average credit period of 90 days (2015: 90 days) to its associates for balances which are trading in nature.

In determining the recoverability of amount due from an associate, the Group considers any change in credit quality of amount due from an associate from the date credit was initially granted up to the reporting date. In view of the good settlement repayment history from the associate of the Group, the directors of the Company consider that there is no credit loss required for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

25. RESTRICTED BANK BALANCES/SHORT-TERM BANK DEPOSITS/BANK BALANCES AND CASH

Restricted bank balances represented deposits required and restricted by banks in respect of (i) the issue of letter of credit to certain suppliers of RMB5,843,000 (2015: RMB3,263,000); and (ii) the security with RMB142,705,000 (2015: RMB78,560,000) of bank borrowings classified under current liabilities of RMB139,850,000 (2015: RMB76,700,000) (note 29) and therefore are classified as current assets. For the year ended 31 December 2016, the restricted bank balances carried interest at average market rates from 0.3% to 1.1% (2015: 1.1%) per annum and will be released upon the completion of the respective transactions.

Short-term bank deposits represented the fixed bank deposits at 1.35% to 1.9% (2015: 2.35% to 2.75%) per annum for the year ended 31 December 2016 with original maturity of more than 3 months but within 12 months.

Bank balances carried interest at market rates ranged from 0.001% to 0.35% (2015: 0.001% to 0.3%) per annum for the year ended 31 December 2016.

At 31 December 2016, bank balances and cash of approximately RMB1,000 (2015: RMB1,000) and RMB4,174,000 (2015: RMB5,411,000) were denominated in United States dollars ("US$") and HK$ respectively that are currencies other than the functional currencies of the respective group entities.

26. ASSETS CLASSIFIED AS HELD FOR SALE

On 16 August 2014, the Group entered into a sale and purchase agreement with an independent third party to sell certain items of plant and machinery included in property, plant and equipment of the Group with carrying amount of approximately RMB31,076,000 at consideration of RMB28,000,000. Impairment loss on assets classified as held for sale of approximately RMB3,076,000 has been recognised for the year ended 31 December 2014. During the year ended 31 December 2016, partial consideration of RMB5,000,000 (2015: nil) was received and recognised as receipts in advance under current liabilities.

On 30 November 2016, the Group committed to a sale plan with Lead Intelligent for the disposal of 10% equity interest in Titans New Power at a consideration consisted of (i) cash consideration of RMB60,750,000; and (ii) 2,185,108 shares of Lead Intelligent. The fair value of 10% equity interest in Titans New Power was approximately RMB137,100,000 as at 31 December 2016 and fair value gain of approximately RMB136,174,000 was recognised under available-for-sale financial assets revaluation reserve during the year ended 31 December 2016.

At 31 December 2015 and 2016, the transactions have not been completed and remained committed to their plan of sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

27. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**58,576**	78,417
Bills payables	**5,392**	10,332
	63,968	88,749

The following is an ageing analysis of trade payables based on the dates of receipt of goods purchased at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
0 – 90 days	**50,059**	70,042
91 – 180 days	**9,198**	4,315
181 – 365 days	**4,711**	5,519
1 – 2 years	**–**	7,315
Over 2 years	**–**	1,558
	63,968	88,749

The average credit period on purchases of goods is 90 days (2015: 90 days). The Group has financial risk management policy in place to ensure that all payables are settled within the credit timeframe.

28. AMOUNTS DUE TO NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts due to non-controlling shareholders of subsidiaries are unsecured, non-interest bearing and repayable on demand.

During the year ended 31 December 2016, approximately RMB372,000 was disposed upon the disposal of a subsidiary. Detail of the disposal of a subsidiary is set out in note 37(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

29. BANK BORROWINGS

	2016 RMB'000	2015 RMB'000
Bank borrowings, secured	**149,850**	86,700
Bank borrowings, unsecured	–	40,000
	149,850	126,700
Carrying amounts repayable (based on scheduled repayment dates set out in the borrowing agreement):		
Within one year, shown under current liabilities	**149,850**	126,700

Bank borrowings of RMB139,850,000 (2015: RMB76,700,000) and RMB10,000,000 (2015: RMB10,000,000) are arranged at fixed interest rate of 0.32% (2015: 0.40%) and floating interest rate of the PRC base lending rate with increment by 5% (2015: the PRC base lending rate increased with increment by 5%) respectively. The effective interest rates (which also equal to contracted interest rates) on the Group's bank borrowings range are from 0.32% to 4.67% (2015: 0.40% to 4.67%) per annum for the year ended 31 December 2016.

During the year, the Group obtained new borrowings in the amount of RMB97,850,000 (2015: RMB193,700,000). The proceeds were used as the Group's working capital. The above bank borrowings are all denominated in RMB, which is the functional currency of the respective entities and hence no foreign currency risk exposure.

As at 31 December 2016, secured bank borrowings of RMB10,000,000 (2015: RMB10,000,000) was secured by its leasehold land and buildings with carrying values of approximately RMB2,902,000 (2015: RMB3,608,000) and was guaranteed by the Company and the directors of the Company with guaranteed amount of approximately RMB120,000,000 (2015: RMB120,000,000). Details of the guarantees by the directors of the Company are set out in note 42(c).

As at 31 December 2016, secured bank borrowings of approximately RMB139,850,000 (2015: RMB76,700,000) was secured by the restricted bank balances of approximately RMB142,705,000 (2015: RMB78,560,000) as at 31 December 2016. The Group has available un-utilised overdraft and short-term bank loan facilities of approximately RMB1,000 (2015: RMB89,000).

As at 31 December 2015, unsecured bank borrowings of RMB40,000,000 were guaranteed by the directors of the Company with guaranteed amount of approximately RMB120,000,000. Detail of the guarantees by the directors of the Company are set out in note 42(c).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

30. CONVERTIBLE NOTES

On 29 February 2016, the Company issued convertible notes (the "CNs") with aggregate principal amount of HK$100,000,000, equivalent to approximately RMB84,246,000, to a substantial shareholder of the Company with maturity date on 28 February 2018 (the "Maturity Date"). The CNs is denominated in HK$. The CNs bear interest at the base lending interest rate offered to the institutions by the People's Bank of China per annum, payable semi-annually.

At 31 December 2016, the interest rate of the CNs was 4.35%.

The principal terms of the CNs are as follows:

Conversion: The holder of the CNs is entitled to convert the CNs into ordinary shares of the Company at a conversion price of HK$1.19 per ordinary share.

The conversion rights are exercisable by the holder at any time during the period commencing from the date of issue of the CNs up to the Maturity Date.

Redemption: The Company may, by notice, redeem whole or part of the outstanding CNs at the face value of the principal amount of such CNs together with all interest accrued before or on the Maturity Date.

The holder of the CNs is not entitled to request for early redemption except for event of default occurred.

Unless previously converted or redeemed, the Company will redeem the CNs, in whole or in part, at the face value on the Maturity Date.

The CNs contain three components, including liability component, conversion option derivative and redemption option derivative, which were presented as "convertible notes", "conversion option derivative of the convertible notes" and "redemption option derivative of the convertible notes" in the consolidated statement of financial position. The effective interest rate of the liability component is 19% at the date of issue. The conversion option derivative and redemption option derivative are measured at fair value with changes in fair value recognised in consolidated statement of profit or loss and other comprehensive income.

No conversion or redemption of the CNs has been made during the year ended 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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30. CONVERTIBLE NOTES (continued)

The movement of the liability and derivative components of the CNs and the reconciliation of Level 3 fair value measurement during the reporting period are set out below:

	Liability component of the CNs RMB'000	Financial asset – Redemption option derivative of the CNs RMB'000	Financial liability – Conversion option derivative of the CNs RMB'000	Total RMB'000
At 1 January 2015, 31 December 2015 and 1 January 2016	–	–	–	–
Issued during the year	65,610	(16,360)	34,996	84,246
Transaction cost	(129)	–	–	(129)
Effective interest expense for the year	10,492	–	–	10,492
Interest paid	(2,046)	–	–	(2,046)
Exchange loss (gain) recognised in profit or loss	1,485	(302)	646	1,829
Changes in fair value	–	3,331	(13,442)	(10,111)
At 31 December 2016	75,412	(13,331)	22,200	84,281

The liability components of the CNs at issue date and fair values of the derivative components of CNs at issue date and at 31 December 2016 were valued by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer not connected to the Group, using the Binomial Option Pricing model. The total transaction cost attributable to the derivative component of the CNs of approximately RMB101,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. The net gain in fair value changes of the derivative components of the CNs of approximately RMB10,111,000 were recognised in the consolidated statement of profit or loss and other comprehensive income. The inputs into the model were as follows:

	At 31 December 2016	At 29 February 2016 (date of issue)
Share price	**HK$1.17**	**HK$1.21**
Conversion price	**HK$1.19**	**HK$1.19**
Expected volatility	**54%**	**63%**
Expected life	**1.16 years**	**2 years**
Risk-free rate	**0.85%**	**0.59%**
Expected dividend yield	**Nil**	**Nil**

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For the year ended 31 December 2016

31. DEFERRED INCOME

It represented the government grants received by the Group in relation to research and development on technology innovation on charging equipment for electric vehicles. The amounts were recognised as income according to the research and development expenses incurred and recognised in profit or loss during the year over the forecasted research and development cost.

Movements of deferred income during the year are as follows:

	2016	2015
	RMB'000	RMB'000
At 1 January	**–**	122
Amortised during the year	**–**	(122)
	–	–

32. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities) for financial reporting purpose:

	2016	2015
	RMB'000	RMB'000
Deferred tax assets	**7,177**	9,465
Deferred tax liabilities	**(42,937)**	(9,319)
At 31 December	**(35,760)**	146

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For the year ended 31 December 2016

32. DEFERRED TAXATION (continued)

The followings are the major deferred tax assets (liabilities) recognised and movement thereon during the current and prior years:

	Allowance for impairment loss of trade receivables	Impairment loss (revaluation) of available-for-sale financial assets	Undistributable profits of subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	6,340	152	(9,134)	(2,642)
Credited (debited) to profit or loss *(note 9)*	2,496	629	(185)	2,940
Debited to available-for-sale financial assets revaluation reserve	–	(152)	–	(152)
At 31 December 2015	8,836	629	(9,319)	146
(Debited) credited to profit or loss *(note 9)*	(1,659)	(629)	426	(1,862)
Debited to available-for-sale financial assets revaluation reserve	–	(34,044)	–	(34,044)
At 31 December 2016	7,177	(34,044)	(8,893)	(35,760)

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary taxable difference attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB177,854,000 (2015: RMB186,379,000) as the Group considered the temporary differences will be reversed in the foreseeable future upon declaration of dividends of subsidiaries.

The Group had unused tax losses of approximately RMB39,143,000 (2015: RMB25,868,000) as at 31 December 2016, available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses of approximately RMB2,475,000 (2015: RMB2,311,000) may be carried forward indefinitely. The remaining tax losses of approximately RMB36,668,000 (2015: RMB23,557,000) will expire five years from the year of origination. As at 31 December 2016, tax losses of approximately RMB6,051,000, RMB4,050,000, RMB7,625,000 and RMB18,942,000 will expire in 2017, 2018, 2019 and 2020 respectively (2015: RMB5,021,000, RMB6,051,000, RMB4,050,000 and RMB8,435,000 will expire in 2016, 2017, 2018 and 2019 respectively).

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32. DEFERRED TAXATION (continued)

At 31 December 2016, the Group had temporary differences of approximately RMB63,622,000 (2015: RMB76,528,000) in respect of allowance for impairment of trade receivables. Deferred tax asset of RMB7,177,000 (2015: RMB8,836,000) had been recognised on temporary difference of approximately RMB47,851,000 (2015: RMB58,912,000). No deferred tax asset has been recognised on the remaining amount of approximately RMB15,771,000 (2015: RMB17,616,000) due to the unpredictability of future profit streams will be available against which the deductible temporary differences can be utilised.

33. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into service concession arrangements with governmental authorities in the PRC on a BOT basis in respect of its charging services. Pursuant to the service concession arrangements, the Group has to design, construct, operate and manage charging equipments in the PRC over the service concession periods. The Group is generally entitled to use the charging equipments, however, the Group has the obligation to maintain the charging equipments in good condition and the charging equipments will be transferred to the governmental authorities without consideration upon expiry of the concession periods. The service concession arrangements do not contain renewal options. The BOT agreements do not grant any termination rights to any of the contracting parties.

As at 31 December 2016, the Group had 2 (2015: nil) service concession arrangements on charging equipments with governmental authorities in the PRC and a summary of the major terms of the principal service concession arrangements, is set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Designed processing capacity	Service concession period
Zhuhai Yilian New Energy Motor Company Ltd.* ("Zhuhai Yilian") 珠海驛聯新能源汽車有限公司	Baoding	Baoding Public Transport Corporation	BOT on charging equipments for electric vehicles	Provide charging services at RMB0.5kWh	10 years from October 2016 to September 2026
Shaoguan Yilian	Shaoguan	Shaoguan Public Transportation Company Limited* 韶關市公共汽車有限公司	BOT on charging equipments for electric vehicles	Provide charging services to 110 electric vehicles of the grantor with average distance of 5,000km per month	8 years from July 2016 to June 2024

* *English name is for identification purpose only*

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34. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	10,000,000,000	100,000
		RMB'000
Issued and fully paid:		
At 1 January 2015	839,540,000	7,387
Shares issued under share option scheme *(note (i))*	1,420,000	11
Shares issued under subscription *(note (ii))*	84,096,000	689
At 31 December 2015, 1 January 2016 and 31 December 2016	925,056,000	8,087

The holders of ordinary shares are entitled to receive dividends declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

(i) During the year ended 31 December 2015, 1,420,000 options with exercise price of HK$0.59 were exercised to subscribe for 1,420,000 ordinary shares in the Company at a consideration of approximately HK$838,000, equivalent to approximately RMB660,000, of which RMB665,000 has been transferred from the share option reserve to the share premium account and approximately RMB11,000 was credited to share capital and the balance of approximately RMB1,314,000 was credited to share premium in accordance with policy set out in note 3.

(ii) On 22 October 2015, 84,096,000 ordinary shares of HK$0.01 each was allotted and issued to an independent third party at a subscription price of HK$1.19 per share raising a total proceeds of approximately HK$100,074,000, equivalent to approximately RMB81,988,000. Transaction cost of the subscription of shares was approximately RMB470,000.

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35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 29 and the CNs disclosed in note 30, net of restricted bank balances, short-term bank deposits and bank balances and cash disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**546,409**	527,652
Financial assets at fair value through profit or loss ("FVTPL") – redemption option derivative of the CNs	**13,331**	–
Available-for-sale financial assets	**14,828**	3,074
Available-for-sale financial asset classified under assets classified as held for sale	**137,100**	–
	711,668	530,726
Financial liabilities		
Financial liabilities at FVTPL – conversion option derivative of the CNs	**22,200**	–
Other financial liabilities at amortised cost	**296,094**	222,050
	318,294	222,050

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include deposit paid for acquisition of available-for-sale financial asset, available-for-sale financial assets, trade and bills receivables, deposits and other receivables, amount due from an associate, redemption option derivative of the CNs, restricted bank balances, short-term bank deposits, bank balances and cash, available-for-sale financial assets classified as held for sale, trade and bills payables, other payables included in accruals and other payables, amounts due to non-controlling shareholders of subsidiaries, conversion option derivative of the CNs, bank borrowings and the CNs. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group mainly operates in the PRC. All the Group's sales and purchases are denominated in the functional currency of the Group (i.e. RMB).

Certain bank balances and cash are denominated in HK$ and US$, which expose the Group to foreign currency risk. However, the Group considers its exposure to foreign currency risk in respect of HK$ and US$ is insignificant.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets	
	2016	2015
	RMB'000	RMB'000
HK$	**4,174**	5,411
US$	**1**	1

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The Group is mainly exposed to foreign currency risk of HK$. Management of the Group considers the currency risk of the Group is insignificant for the years ended 31 December 2016 and 2015, hence no sensitivity analysis is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Interest rate risk

As at 31 December 2016 and 2015, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings disclosed in note 29 and the CNs disclosed in note 30. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the RMB Base Lending Rate stipulated by the People's Bank of China arising from the Group's RMB denominated bank borrowings and the CNs.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable rate bank borrowings, the CNs, restricted bank balances, short-term bank deposits and bank balances. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 (2015: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2015: 50) basis points higher or lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2016 would decrease/increase by approximately RMB111,000 (2015: post- tax loss would increase/decrease by approximately RMB256,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in the PRC stock market. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 10% (2015: nil) higher/lower available-for-sale financial assets revaluation reserve would increase/decrease by approximately RMB279,000 (2015: nil) as a result of the changes in fair value of available-for-sale financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt, other receivables and amount due from an associate at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for all of the trade receivables as at 31 December 2016 and 2015.

The Group has concentration of credit risk as 7.3% and 18.3% (2015: 6.5% and 20.3%) of the total trade and bills receivables before allowance for impairment loss of trade receivables was due from the Group's largest and top five customers respectively within the DC Power System and Charging Equipment segments as at 31 December 2016.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of short-term bank deposits and bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity analysis for non-derivative financial liabilities is based on the scheduled repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity table

	Within 1 year or on demand RMB'000	More than 1 year and within 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2016				
Non-derivative financial liabilities:				
Trade and bills payables	**63,968**	**–**	**63,968**	**63,968**
Accruals and other payables	**6,864**	**–**	**6,864**	**6,864**
Convertible notes	**3,732**	**89,532**	**93,264**	**75,412**
Bank borrowings				
– fixed rate	**140,050**	**–**	**140,050**	**139,850**
– variable rate	**10,169**	**–**	**10,169**	**10,000**
	224,783	**89,532**	**314,315**	**296,094**

	Within 1 year or on demand RMB'000	Total undiscounted cash flows RMB'000	Carrying Amount RMB'000
At 31 December 2015			
Financial liabilities			
Trade and bills payables	88,749	88,749	88,749
Accruals and other payables	5,430	5,430	5,430
Amounts due to non-controlling shareholders of subsidiaries	1,171	1,171	1,171
Bank borrowings			
– variable rate	127,888	127,888	126,700
	223,238	223,238	222,050

At 31 December 2016, the aggregate undiscounted principal amount of the CNs amounted to HK$100,000,000, equivalent to approximately RMB85,800,000 (2015: nil). The directors of the Company will not consider to redeem the principal amount of the CNs taking into account the working capital requirement and the future business expansion of the Group. Thus, the directors of the Company believe that the CNs will only be repaid on the Maturity Date in case the CNs are not converted by the note holders.

The amounts included above for variable interest rate bank borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 to 3 based on degree to which the fair value is observable in accordance to the Group's accounting policy.

	31 December 2016			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVTPL				
Redemption option derivative of the CNs	–	–	**13,331**	**13,331**
Available-for-sale financial assets				
Listed equity securities	**3,717**	–	–	**3,717**
Unlisted equity securities	–	–	**11,111**	**11,111**
Available-for-sale financial assets classified under assets classified as held for sale				
Unlisted equity securities	–	–	**137,100**	**137,100**
Total	**3,717**	–	**161,542**	**165,259**
Financial liabilities at FVTPL				
Conversion option derivative of the CNs	–	–	**22,200**	**22,200**

	31 December 2015			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
– Unlisted equity securities	–	–	3,074	3,074

There were no transfers between levels of fair value hierarchy in the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

The valuation techniques and inputs used in the fair value measurement of the financial assets on a recurring basis are set out below:

Financial instruments	Fair value as at 31/12/2016 RMB'000	Fair value as at 31/12/2015 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Listed equity securities classified as available-for-sale financial assets	**3,717**	–	Level 1	Quoted bid prices in an active market	N/A	N/A
Unlisted equity securities classified as available-for-sale financial assets	**11,111**	3,074	Level 3	Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate	(i) Terminal growth rate of nil; and (ii) Weighted average cost of capital of 10.09%	(i) The higher the terminal growth rate, the higher the fair value. (ii) The higher the weighted average cost of capital, the lower the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Financial instruments	Fair value as at 31/12/2016 RMB'000	Fair value as at 31/12/2015 RMB'000	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of key inputs and significant unobservable inputs to fair value
Unlisted equity securities classified as available-for-sale financial assets under assets classified as held for sale	**137,100**	–	Level 3	Income approach – by reference to the present value of the expected future economic benefits to be derived from the ownership of this investee, based on an appropriate discount rate	(i) Terminal growth rate of nil; and (ii) Weighted average cost of capital of 12.66%	(i) The higher the terminal growth rate, the higher the fair value. (ii) The higher the weighted average cost of capital, the lower the fair value.
Redemption option derivative of the CNs	**13,331**	–	Level 3	Binomial option pricing model: by reference to the risk free rate of 0.85% and effective interest rate of 19%	Volatility of 54%	The higher the volatility, the lower of the fair value of redemption option derivative component of the CNs
Conversion option derivative of the CNs	**22,200**	–	Level 3	Binomial option pricing model: by reference to the risk free rate of 0.85% and effective interest rate of 19%	Volatility of 54%	The higher the volatility, the lower of the fair value of redemption option derivative component of the CNs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(c) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities on recurring basis are as follows:

	Unlisted equity securities RMB'000	Financial asset – Redemption option derivative of the CNs RMB'000	Financial liability – Conversion option derivative of the CNs RMB'000
At 1 January 2015	1,657	–	–
Purchase	4,601	–	–
Reserve released upon impairment loss of available-for-sale financial assets	1,008	–	–
Impairment loss on available-for-sale financial assets through profit or loss	(4,192)	–	–
At 31 December 2015 and 1 January 2016	3,074	–	–
Purchase	11,111	–	–
Issue of the CNs	–	16,360	(34,996)
Disposal	(2,148)	–	–
Exchange gain (loss) recognised in profit or loss	–	302	(646)
Changes in fair value through profit or loss	–	(3,331)	13,442
Fair value gain through other comprehensive income	136,174	–	–
At 31 December 2016	148,211	13,331	(22,200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

36. FINANCIAL INSTRUMENTS (continued)

(d) Fair value of financial instruments that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	31 December 2016		31 December 2015	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Deposit paid for the acquisition of available-for-sale financial asset	**–**	**–**	5,000	5,000
Trade and bills receivables	**228,365**	**228,365**	331,730	331,730
Prepayments, deposits and other receivables	**23,477**	**23,477**	20,444	20,444
Amount due from an associate	**2,175**	**2,175**	34	34
Restricted bank balances	**148,548**	**148,548**	81,823	81,823
Short term bank deposits	**130,014**	**130,014**	30,000	30,000
Bank balances and cash	**13,830**	**13,830**	58,621	58,621
Financial liabilities				
Trade and bills payables	**63,968**	**63,968**	88,749	88,749
Accruals and other payables	**6,864**	**6,864**	5,430	5,430
Amounts due to non-controlling shareholders of subsidiaries	**–**	**–**	1,171	1,171
Bank loans				
– fixed rate	**139,850**	**139,850**	–	–
– variable rate	**10,000**	**10,000**	126,700	126,700
Convertible notes	**75,412**	**79,990**	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. DISPOSAL OF SUBSIDIARIES

(a) Sichuan Haote

As disclosed in note 19, on 29 June 2016, the Group disposed of 25.5% equity interest in Sichuan Haote to an independent third party for a cash consideration of RMB1,102,000. The Group lost its control over Sichuan Haote and Sichuan Haote ceased to be a subsidiary of the Group after the completion of abovementioned disposal on 29 June 2016. The net assets of Sichuan Haote at the date of disposal were as follows:

Consideration received:

	RMB'000
Cash received	1,102

Analysis of assets and liabilities over which control was lost:

	29 June 2016 RMB'000
Property, plant and equipment	1,144
Inventories	5,479
Trade receivables	1,273
Prepayments, deposits and other receivables	3,279
Bank balances and cash	74
Trade payables	(3,940)
Accruals and other payables	(4,873)
Net assets disposed of	2,436

Gain on disposal of Sichuan Haote:

	29 June 2016 RMB'000
Consideration received	1,102
Fair value of 25.5% equity interest classified as interest in an associate *(note 19)*	621
Non-controlling interests	1,194
Net assets disposed of	(2,436)
Gain on disposal of Sichuan Haote	481

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. DISPOSAL OF SUBSIDIARIES (continued)

(a) Sichuan Haote (continued)

Net cash inflows on disposal of Sichuan Haote:

	29 June 2016 RMB'000
Cash consideration	1,102
Less: bank balances and cash disposed of	(74)
	1,028

(b) SZ Heimt

On 28 June 2016, a subsidiary of the Group entered into a sale and purchase agreement with the non-controlling shareholder of SZ Heimt to dispose of its entire 51% equity interests in SZ Heimt, which was one of the manufacturing subsidiaries in the Charging Equipment segment prior to the disposal, for a consideration of RMB1 (the "SZ Heimt Disposal"). The completion of the SZ Heimt Disposal took place on 14 July 2016, upon which SZ Heimt ceased to be a subsidiary of the Group for the year ended 31 December 2016.

Consideration received:

	RMB'000
Cash received	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

37. DISPOSAL OF SUBSIDIARIES (continued)

(b) SZ Heimt (continued)

Analysis of assets and liabilities over which control was lost:

	14 July 2016 RMB'000
Property, plant and equipment	434
Goodwill	–
Inventories	11,307
Trade receivables	5,133
Prepayment, deposits and other receivables	331
Bank balances and cash	15
Trade payables	(12,418)
Receipts in advance	(538)
Accruals and other payables	(1,820)
Amount due to a non-controlling shareholder of a subsidiary	(372)
Net assets disposed of	2,072

Loss on disposal of SZ Heimt:

	14 July 2016 RMB'000
Consideration received	–
Non-controlling interests	1,016
Net assets disposed of	(2,072)
Loss on disposal of SZ Heimt	(1,056)

Net cash outflows on disposal of SZ Heimt:

	14 July 2016 RMB'000
Cash consideration	–
Less: bank balances and cash disposed of	(15)
	(15)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

38. OPERATING LEASE COMMITMENTS

The Group as a lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016	2015
	RMB'000	RMB'000
Within one year	**2,873**	2,385
In the second to fifth year inclusive	**144**	2,064
	3,017	4,449

Operating lease payments represent rentals payable by the Group for certain of its offices and workshops. Leases are negotiated for an average of two (2015: two) year and rentals are fixed for two (2015: two) years for the year ended 31 December 2016.

The Group as a lessor

Property rental income and rental income from operating leases of electric vehicles earned during the year were RMB162,000 (2015: RMB190,000) and RMB325,000 (2015: RMB20,000), respectively. The property held has committed tenants for the next four (2015: four) years. While the contract periods for the operating lease of electric vehicles are one (2015: one) year.

At the end of the reporting period, the Group has contracted with tenants and lessees for the following future minimum lease payments:

	2016	2015
	RMB'000	RMB'000
Within one year	**594**	321
In the second to fifth year inclusive	**8**	39
	602	360

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

39. CAPITAL COMMITMENTS

	2016	2015
	RMB'000	RMB'000
Capital expenditures contracted for but not provided in the consolidated financial statements in respect of:		
– Construction of property, plant and equipment	**45,136**	34,685
– Investment in available-for-sale financial asset	**–**	6,111
– Establishment of associates	**9,800**	28,000
– Capital contribution to subsidiaries	**10,700**	8,813
	65,636	77,609

40. RETIREMENT BENEFITS SCHEMES

The employees of the PRC subsidiaries are members of the state-managed retirement benefits schemes (the "Schemes") operated by the PRC government. The PRC subsidiaries are required to contribute certain amount of payroll costs to the Schemes to fund the benefits. The only obligation of the Group with respect to the Schemes is to make the required contributions under the Schemes.

The amount of contributions made by the Group in respect of the retirement benefits schemes during the years are set in notes 10, 11 and 12 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. SHARE OPTIONS SCHEME

Pre-IPO Share Option Scheme

Pursuant to a written resolution approved by the Company's shareholders on 8 May 2010, the Company has adopted the Pre-IPO Share Option Scheme. Certain executive directors, senior managerial staff and employees of the Group were granted options to recognise their contribution to the Group. Under the Pre-IPO Share Option Scheme, 53 participants (the "Grantees") have been conditionally granted options by the Company. The exercise of the options would entitle the Grantees to purchase aggregate of 23,920,000 shares of the Company immediately following completion of the placing and public offer and the capitalisation issue at 50% of the final offer price. The options are exercisable by installments twelve months after 28 May 2010, the date on which the shares of the Company were listed on the Stock Exchange, (the "Listing Date") and up to 5 years since the Listing Date.

The Group will receive HK$1 for each grant under the Pre-IPO Share Option Scheme.

The Pre-IPO Share Option Scheme was expired on 28 May 2015.

Share Option Scheme

Pursuant to a written resolution passed by the shareholders of the Company on 8 May 2010, the Company has adopted the Share Option Scheme for a period of 10 years commencing on 8 May 2010, the Board of the Company may, at its discretion, grant share options to any individual being an employee, officer, agent, consultant or representative of any member of the Group (including any executive or non-executive director of any member of the Group) at a consideration of HK$1 on acceptance of the option offer. The subscription of shares in the Company is subject to the terms and conditions as stipulated in the Share Option Scheme. 19,430,000 share options were first granted during the year ended 31 December 2011.

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme, together with all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme, must not exceed 30% of the number of the issued shares from time to time.

No share options were granted during the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

41. SHARE OPTIONS SCHEME (continued)

Share Option Scheme (continued)

Details of the share options granted under the Pre-IPO Share Option Scheme were as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price	Fair value at grant date
				HK$	HK$
8 May 2010	25%	28.5.2010 – 27.5.2011	28.5.2011 – 27.5.2012	0.59	0.61
	25%	28.5.2010 – 27.5.2012	28.5.2012 – 27.5.2013	0.59	0.65
	25%	28.5.2010 – 27.5.2013	28.5.2013 – 27.5.2014	0.59	0.68
	25%	28.5.2010 – 27.5.2014	28.5.2014 – 27.5.2015	0.59	0.69

Detail of the share options granted under the Share Option Scheme were as follows:

Date of grant	Vesting proportion	Vesting period	Exercisable period	Exercise price	Fair value at grant date
				HK$	HK$
17 February 2011	33%	17.2.2011 – 16.2.2012	17.2.2012 – 16.2.2013	1.10	0.29
	33%	17.2.2011 – 16.2.2013	17.2.2013 – 16.2.2014	1.10	0.39
	33%	17.2.2011 – 16.2.2014	17.2.2014 – 16.2.2015	1.10	0.46

The Company has share option schemes for directors and eligible employees. Details of the share options outstanding during the year are as follows:

	2016		2015	
	Weighted average exercise price	**Number of share options**	Weighted average exercise price	Number of share options
	HK$	**('000)**	HK$	('000)
Outstanding at 1 January	**N/A**	–	0.99	7,137
Exercised during the year	**N/A**	–	0.59	(1,420)
Lapsed during the year	**N/A**	–	1.09	(5,717)
Forfeited during the year	**N/A**	–	N/A	–
Outstanding at 31 December	**N/A**	–	N/A	–
Exercisable at 31 December	**N/A**	–	N/A	–

No share option expense has been recognised for the years ended 31 December 2016 and 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

42. RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) Income received

	2016 **RMB'000**	2015 RMB'000
Rental income received from an associate	–	122
Sales to associates *(note)*	**15,657**	424
	15,657	546

Note: Sales of charging equipment for electric vehicles to the associates for the years ended 31 December 2016 and 2015 on terms mutually agreed with the parties, which were reference to prevailing market prices under the sales agreement.

(b) Compensation to key management personnel

The remuneration of directors of the Company during the year was as follows:

	2016 **RMB'000**	2015 RMB'000
Short-term benefits	**1,305**	1,280
Post-employment benefits	**34**	34
	1,339	1,314

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individuals and market trends.

(c) Guarantees from directors

At 31 December 2016 and 2015, certain banking facilities of the Group were guaranteed by Mr. Li Xin Qing and Mr. An Wei, directors of the Company:

	2016 **RMB'000**	2015 RMB'000
To the extent of	**120,000**	120,000

Details of the borrowings of the Group are set out in note 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2016 RMB'000	2015 RMB'000
Non-current asset			
Investment in a subsidiary		**1**	1
Current assets			
Amounts due from subsidiaries	*43(a)*	**391,312**	308,393
Redemption option derivative of the convertible notes	*30*	**13,331**	–
Bank balances and cash		**190**	95
		404,833	308,488
Current liabilities			
Conversion option derivatives of the convertible notes	*30*	**22,200**	–
Accruals and other payable		**848**	–
		23,048	–
Net current assets		**381,785**	308,488
Total assets less current liabilities		**381,786**	308,489
Non-current liability			
Convertible notes	*30*	**75,412**	–
Net assets		**306,374**	308,489
Capital and reserves			
Share capital	*34*	**8,087**	8,087
Reserves	*43(b)*	**298,287**	300,402
		306,374	308,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

43. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) The amounts are unsecured, non-interesting bearing and repayable on demand.

(b) Reserves

	Share premium RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	242,998	2,834	(25,602)	220,230
Loss and total comprehensive expense for the year	–	–	(1,306)	(1,306)
Issue of shares upon placing *(note 34)*	81,299	–	–	81,299
Transaction cost attributable to issue of shares	(470)	–	–	(470)
Exercise of share options	1,314	(665)	–	649
Lapse of share options	–	(2,169)	2,169	–
At 31 December 2015	325,141	–	(24,739)	300,402
Loss and total comprehensive expense for the year	–	–	(2,115)	(2,115)
At 31 December 2016	325,141	–	(26,854)	298,287

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For the year ended 31 December 2016

44. PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has the following principal subsidiaries, all of which adopted a same financial year end date of 31 December:

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital		Percentage of equity interest and voting power attributable to the Company				Principal activities
			2016	2015	**2016**		2015		
					Direct	**Indirect**	Direct	Indirect	
Zhuhai Titans Power Electronics Co., Ltd.* ("Titans Power Electronics") 珠海泰坦電力電子集團有限公司 *(note 2)*	The PRC	Contributed	**RMB232,000,000**	RMB232,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of wind and solar power generation balancing control products, charging equipment for electrical vehicles and power grid monitoring and management products
Anhui Titans Liancheng Energy Technology Co., Ltd.* 安徽泰坦聯成能源技術有限公司 *(note 1)*	The PRC	Contributed	**RMB30,000,000**	RMB30,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Henan Hong Zheng Electric Technology Co., Ltd.* 河南弘正電氣科技有限公司 *(note 1)*	The PRC	Contributed	**RMB30,000,000**	RMB30,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Zhuhai Titans New Energy Systems Co., Ltd.* 珠海泰坦新能源系統有限公司 *(note 1)*	The PRC	Contributed	**RMB3,000,000**	RMB3,000,000	**–**	**100%**	–	100%	Research, development, manufacture and sales of electrical power generation balancing control and other products
Zhuhai Yilian *(note 1)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**–**	**100%**	–	100%	Sales and leases of electric vehicles; and provision of charging services

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For the year ended 31 December 2016

44. PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of subsidiary	Place of establishment and operation	Class of shares held	Issued and fully paid share capital		Percentage of equity interest and voting power attributable to the Company				Principal activities
			2016	2015	**2016**		2015		
					Direct	**Indirect**	Direct	Indirect	
Titans Technology.* *(note 1)*	The PRC	Contributed	**RMB200,000,000**	RMB200,000,000	**-**	**100%**	–	100%	Research, development, manufacture and sales of electrical direct current products
Shaoguan Yilian *(note 1)*	The PRC	Contributed	**RMB10,000,000**	–	**-**	**100%**	–	–	Provision of charging services
Hebei Jidong Titans Technology Co., Ltd.* 河北冀東泰坦科技有限公司 *(note 1)*	The PRC	Contributed	**RMB10,000,000**	RMB10,000,000	**-**	**50%**	–	50%	Design, manufacture and sales of charging equipments for electric vehicles

* *English name is for identification purpose only*

Notes:

1. These entities are domestic enterprises.

2. This entity is wholly foreign owned entity

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excess length.

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44. PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

At the end of the reporting period, the Group has other subsidiaries that are not individually material to the Group. The principal activities of these subsidiaries are sales of Charging Equipment of electric vehicles and investment holding. A summary of these subsidiaries are set out as follows:

		Number of subsidiaries	
Principal activity	**Principal place of business**	**2016**	2015
Sales and leases of electric vehicles and provision for charging services	– The PRC	**1**	1
Sales of Charging Equipment for electric vehicles	– The PRC	**2**	3
Investment holding	– Hong Kong	**2**	2
	– BVI	**1**	1
	– The PRC	**1**	–
Inactive	– The PRC	**4**	1
		10	8

None of the subsidiaries had issued any debt securities subsisting at the end of both years or at any time during both years.

45. EVENT AFTER THE REPORTING PERIOD

Disposal of 10% equity interest in Titans New Power

On 5 January 2017, Titans Power Electronics, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Lead Intelligent, a listed company in Shenzhen Stock Exchange and an independent third party to the Group, pursuant to which the Company has conditionally agreed to dispose of 10% equity interest in Titans New Power at the aggregate consideration of RMB135,000,000 (the "Consideration"), in which (i) 45% of the Consideration, being RMB60,750,000, will be settled by cash; and (ii) 55% of the Consideration, being RMB74,250,000, will be settled by 2,185,108 listed shares of Lead Intelligent, representing approximately 0.54% of the existing issued shares of Lead Intelligent as at 5 January 2017. The Consideration was determined with reference to the valuation report prepared by an independent valuer engaged by Lead Intelligent. The transaction was not completed up to the date of these consolidated financial statements.

Details are set out in the Company's announcements issued on 6 January 2017 and 9 January 2017.

* *English name is for identification purpose only*